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

FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **March 31, 2021**

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number: 001-38249

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.001 par value per share	**LIVX**	**The NASDAQ Capital Market**

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging Growth Company	☐		

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter ended September 30, 2020, was approximately $157 million. For the sole purpose of making this calculation, the term "non-affiliate" has been interpreted to exclude directors, executive officers, affiliated holders of 10% or more of the registrant's common stock and their affiliates.

As of July 9, 2021 the registrant had 77,553,472 shares of common stock outstanding.

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Use of Market and Industry Data

This Annual Report on Form 10-K (this "Annual Report") includes market and industry data that we have obtained from third party sources, including industry publications, as well as industry data prepared by our management on the basis of its knowledge of and experience in the industries in which we operate (including our management's estimates and assumptions relating to such industries based on that knowledge). Management has developed its knowledge of such industries through its experience and participation in these industries. While our management believes the third-party sources referred to in this Annual Report are reliable, neither we nor our management have independently verified any of the data from such sources referred to in this Annual Report or ascertained the underlying economic assumptions relied upon by such sources. Furthermore, references in this Annual Report to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The information in any such publication, report, survey or article is not incorporated by reference in this Annual Report.

Forecasts and other forward-looking information obtained from these sources involve risks and uncertainties and are subject to change based on various factors, including those discussed in sections entitled "Forward-Looking Statements," "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

Trademarks, Service Marks and Trade Names

This Annual Report contains references to our trademarks, service marks and trade names and to trademarks, service marks and trade names belonging to other entities. Solely for convenience, trademarks, service marks and trade names referred to in this Annual Report, including logos, artwork and other visual displays, may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend our use or display of other companies' trade names, service marks or trademarks or any artists' or other individuals' names to imply a relationship with, or endorsement or sponsorship of us by, any other companies or persons.

PART I

Item 1. Business

Overview

LiveXLive Media, Inc. (the "Company," "LXL," "we," "us," or "our") is a pioneer in the acquisition, distribution and monetization of live music events, Internet radio, podcasting/vodcasting and music-related subscription, streaming and video content. Through our comprehensive service offerings and innovative content platform, we provide music fans the ability to listen, watch, attend, engage and transact. Serving a global audience, our mission is to bring the experience of live music and entertainment to consumers wherever music and entertainment is watched, listened to, discussed, deliberated or performed around the world. Our operating model is focused on a flywheel concept of integrated services centered on servicing and monetizing superfans through multiple revenue streams and product/service offerings. At March 31, 2021, we operated five core integrated services: (1) one of the industry's leading online live music streaming platforms (LiveXLive), (2) a fully integrated subscription and advertising streaming music service Slacker, Inc. ("Slacker") operating as LiveXLive powered by Slacker, (3) a leading podcasting platform operating as PodcastOne ("PodcastOne"), (4) producer of original music-related content, including live music festivals, concerts and events through React Presents LLC ("React Presents"), and (5) a retailer of personalized merchandise and gifts operating as Custom Personalization Solutions, Inc. ("CPS"). LiveXLive is the first 'live social music network', delivering premium live-streamed, digital audio and on-demand music experiences from the world's top music festivals, concerts and events, including Rock in Rio, Electronic Daisy Carnival ("EDC") Las Vegas, iHeartRadio's Wango Tango and many more. LiveXLive enhances the experience by granting audiences access to premium original content, artist exclusives and industry interviews. Our LiveXLive application offers users access to live events, audio streams with access to millions of songs and hundreds of expert-curated radio platforms and stations, original episodic content, podcasts, vodcasts, video on demand, real-time livestreams, and social sharing of content. Today, our business is comprised of a single operating segment (hereon referred to as our "operations").

We generate revenue through the sale of subscription-based services and advertising from our music offerings, from the licensing, advertising and sponsorship of our live music and podcast content rights and services, from our expanding pay-per-view offerings, from retail sales of merchandise and gifts and expect to generate revenue from ticket sales as live events return post-COVID 19 pandemic and other revenue streams.

Operations

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

Historically, we acquired the rights to stream our live and recorded music and broadcasts from a combination of festival owners and promoters, such as Anschutz Entertainment Group ("AEG") and Live Nation Entertainment, Inc. ("Live Nation"), music labels, including Universal Music, Warner Music and Sony Music, and through individual music publishers and rights holders. In March 2019, we entered into a multi-year agreement with iHeartMedia that combines content, production, distribution and promotion, which was further extended in March 2020, giving us exclusive global livestreaming rights to over 20 of their events per year. Beginning mid-March 2020, the current pandemic associated with COVID-19 temporarily shut down the production of all on-ground, live music festivals and events. As a result, we pivoted our production to 100% streaming, and began producing, curating, and broadcasting streaming music festivals, concerts and events across our platform. In May 2020, we launched our first pay-per-view ("PPV") performances across our platform, allowing artists and fans to access a new digital compliment to live festivals, concerts and events.

The majority of our content acquisition agreements provide us the exclusive rights to produce, license, broadcast and distribute live broadcast streams of these festivals and events throughout the world and across any digital platform, including cable, Internet, video, audio, video-on-demand ("VOD") and virtual reality ("VR"). As of March 31, 2021, we held the streaming rights to over 26 festivals and live music events under long-term contracts that range from two to seven years in duration. Today, we have increased these live streaming festival rights and are working to expand our VOD, PPV, content catalog and content capabilities. Since 2018, we launched LiveZone, a traveling studio originating from live music events and festivals all over the world. LiveZone combines music news, commentary, festival updates and artist interviews, and provide context to premiere events by showcasing exotic locales, unique venues, and artist backstories, adding "pre-show" and "post-show" segments to livestreamed artist performances and original festival-based content. During fiscal year ended March 31, 2021, we launched our own franchises including "Music Lives," our multi-artist virtual festival, "Music Lives ON," our weekly series of virtual live-streaming performances, and "The Lockdown Awards", our award show celebrating the best in quarantine content.

In February 2020, we acquired React Presents, giving us the capability to produce and stream over 200 events annually, including React Presents' tent pole festival Spring Awakening. In July 2020, we entered the podcasting business with the acquisition of PodcastOne and in December 2020, we entered the merchandising business with the acquisition of CPS.

During the fiscal year ended March 31, 2021, we livestreamed 146 major music festivals and live music events and generated approximately 150 million views worldwide, and as of March 31, 2021, our subscription service eclipsed 1,070,000 paid subscribers and approximately 0.8 million monthly active users ("MAUs") across our audio services. Included in the total number as of March 31, 2021 are certain subscribers which are the subject of a contractual dispute. We are currently not recognizing revenue related to these subscribers. We use MAUs, which is a non-GAAP financial measure, as a measure of our audience reach and define a MAU as a user of one of our platforms who has logged in and visited our music subscription platform, as a unique user, on the day of measurement.

Live Music Events

We produce, edit, curate and stream live music events through (i) broadband transmission over the Internet and/or satellite networks to our users throughout the world, where permitted ("Digital Live Events") both advertiser supported and PPV events, and (ii) physical ticket sales of on-location music events and festivals at a variety of indoor clubs and outdoor venues and arenas ("On-premise Live Events"). These services allow our users to access live music content in person and over the Internet, including the ability to chat and communicate over our platform. LiveXLive provides Digital Live Events for free to our users; however, beginning in May 2020 we launched PPV capabilities and began charging our users to view certain Digital Live Events. We monetize these live events through third party advertising and sponsorship, including with brands such as Hyundai, Facebook, Tik Tok, Porsche, and Pepsi, and selling territorial licensing rights to Tencent in China and Ocesa in Mexico. Our cost structure varies by music event, and may include set upfront fees/artist guarantees, the amount of which is often dependent on specific artist. A festival's existing production infrastructure or lack thereof, and, in turn results in, us having an production/financial commitment to the live stream, and in some cases, we may also share the associated revenue. The fees generated from any advertising, sponsored content, VOD/PPV and other services are generally subject to the aforementioned revenue sharing arrangements with certain artists, festival owners and/or music right holders, when applicable.

In February 2020, we acquired React Presents, a Chicago based live music promoter giving us the rights to produce and stream over 200 events annually, including React Presents' tent pole festival Spring Awakening.

Digital Internet Radio and Music Services

Our digital Internet radio and music services are available to users online and through automotive and mobile original equipment manufacturers ("OEMs") on a white label basis, which allow certain OEMs to customize the radio and music services with their own logos, branding and systems. Our users are able to listen to a variety of music, radio personalities, news, sports, comedy and the audio of live music events. Our revenue structure for our digital Internet radio and music services varies and may be in the form of (i) a free service to the listener supported by paid advertising, (ii) paid premium subscription services, and/or (iii) a fixed fee per user. The fees generated from ad-supported and subscription services are generally subject to revenue sharing arrangements with music right holders and labels, and fees to festivals, clubs, events, concerts, artists, promoters, venues, music labels and publishers ("Content Providers").

Podcast Services

Our podcasts are available to users online alongside our digital Internet radio. Our users are able to listen to a variety of podcasts, from music, radio personalities, news, entertainment, comedy and sports. The podcasts are available on the LiveXLive platforms and also on other leading podcast listening platforms such as Apple Music, Spotify, and Amazon. Similar to our digital Internet radio fee structure, we monetize podcasts through (i) paid advertising or (ii) paid premium subscription services. We own one of the largest networks of podcast content in North America, which has over 300 exclusive podcast shows that produces over 300 episodes per week and has generated over 2.26 billion downloads during the year ended March 31, 2021. In April 2021, we announced an agreement with Samsung for all PodcastOne distributed content to be available via the Listen tab on Samsung TV.

Merchandise

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

Ancillary Products and Services

We also provide our customers the following:

- *Regulatory Support* – streaming of music is generally subject to copyright protection. Whenever possible, we use our best efforts to clear music copyright licenses, artist streaming preferences and music publishing rights in advance of usage.

- *Post-Implementation Support* – once our LXL App is activated, we provide technical and network support, which includes 24/7 operational assistance and monitoring of our services and performance.

Our Industry

Globally, we estimated that recorded music revenues increased to $21.5 billion in 2020, up 7.4%. We believe that by 2030, global recorded music revenues will increase to $45 billion. Our addressable market includes streaming of live music and entertainment, Internet radio, audio downloadable music, podcasts and online VOD services. These markets are experiencing significant growth and now represent the majority of the music industry's overall revenue, as physical and digital record sales have steadily declined. We both capitalize on these trends and provide additional earnings opportunities to industry stakeholders, including agents, managers, distributors, producers, labels, publishers, advertisers and social influencers (collectively, "Industry Stakeholders").

Live Music Industry

The live music industry is a large, growing market that creates, manages and promotes live performances and events, ranging from festivals to concerts and events in stadiums, arenas, and other smaller venues. In the U.S. alone, pre-COVID-19, we expect the live music industry to grow to over $17 billion of revenue annually in 2021, representing a +43% growth rate over 2020, and over $5.0 billion in live music sponsorship for the same periods. Post-COVID-19, we expect live music industry revenues to grow to $30 billion by 2023. Festivals, which is where our live concert promotion has focused on, have become an increasingly important cultural phenomenon. Each festival can attract hundreds of thousands of people over multiple day periods. The most popular festivals based on attendance include Coachella, EDC, Glastonbury, Outside Lands Music and Arts Festival, Rock Werchter, Rock in Rio, Roskilde, Tomorrowland and Ultra Music Festival. The live event industry is a global market with only a fraction of the leading live music events located in the U.S. In addition to festivals, there are thousands of live music events and performances that occur nightly in large and small venues such as arenas, theatres, clubs, bars and lounges. As a result of the popularity of live music performances, there has been a growing interest in experiencing live events and performances via online streaming distribution. To address this growing opportunity, we acquired React Presents in February 2020, which promoted, produced and ran over 200 live events in 2019, including Spring Awakening, one of the largest music festivals in the Chicago, Illinois and drawing a large regional audience.

With the onset of COVID-19 in early calendar year 2020, substantially all major live music events to be held in calendar year 2020 were cancelled, including our own Spring Awakening. To address the demand for live music events, we shifted our focus to live digital concerts and festivals, and our platform experienced tremendous growth in the number of live events streamed and overall viewership. During the fiscal year ended March 31, 2021, we live-streamed over 146 events with over 150 million views. These events featured artists such as Pitbull, Wiz Khalifa, Dierks Bentley, Billie Eilish, and The Foo Fighters, in addition to our own internally developed franchises such as "Music Lives," our largest digital music event, "Music Lives ON," our weekly series of virtual live-streaming performances, and "The Lockdown Awards," our award show celebrating the best in quarantine content. By comparison, we livestreamed 42 live festival and events and generated over 69 million views for the entire fiscal year ended March 31, 2020.

Additionally, the growth of the live music industry benefits ancillary verticals, such as merchandise and primary/secondary ticket marketplaces. Merchandise includes the retail sales of licensed music-related goods and is estimated to be larger than $3.5 billion since 2018.

Digital Music Streaming Industry

The addressable market for paid digital music streaming is large and growing, representing almost half of global music revenue. In 2020, we estimate that streaming revenue was $13.4 billion or approximately 62% of global music sales and we further expect paid streaming users to surpass 1.2 billion by 2030.

We believe that the demand for live music and music-related content that is optimized for Internet-connected devices will continue to grow with the further development of mobile devices and increases in mobile carrier bandwidth. We intend to continue to extend our global reach by executing deals with new partners and strengthening our business model to enable us to further monetize the content offered on our network across these devices.

Podcasting Industry

The podcasting industry continues to benefit from both a broad audience, with attractive demographics and loyal listeners. According to Edison One and Triton Digital, an estimated 100 million people listened to a podcast each month in 2020 and is expected to reach 125 million in 2022. As podcast listening grows, the addressable market for podcast advertising spend continues to grow. PricewaterhouseCoopers estimated that podcast advertising spend was $1.5 billion in 2020 and is slated to reach $3.5 billion by 2024, annual growth of nearly 20%.

Technology

We own 15 registered or pending patents on our streaming Internet radio services, including patents over playback of digital media content, method for providing user personalized content, systems for portable personalized radio, method for interactive distribution of digital content and systems for scoring and raking digital content based on activity of network users. Key components of this technology include:

- User authorization system
- Data Warehouse/Data Management Platform, including user preferences and behavior
- Enterprise Content Management and Delivery Platform for Music

- Relevancy and Personalization Technology
- Patented off-line mode
- Mobile and OTT Development
- Development around the balance between curated and programmatically generated content
- Integrated carrier billing with most major carriers
- Service-based technology systems which allows for easier development of new products

While we do not currently have a trademark on the LiveXLive name, on September 23, 2017, we entered into a Co-Existence Agreement with Monday Sessions Media, Inc. d/b/a Live X ("Live X") (pronounced by "live by live"), in which we consented to Live X's use and registration of the name and mark Live X and agreed to not challenge, dispute or contest Live X's rights in such mark. Pursuant to this agreement, we agreed to not offer certain production services to third party businesses in connection with our mark "LiveXLive" and use commercially reasonable efforts to afford Live X opportunities to bid on production or streaming service opportunities. We intend to protect our trademarks, brands, copyrights, patents and other original and acquired works, ancillary goods and services. In connection with the Slacker acquisition, we acquired a trademark for the Slacker name. We believe that certain trademarks and other proprietary rights that we may apply for or otherwise obtain will have significant value and will be important to our brand-building efforts and the marketing of our services. We cannot predict, however, whether steps taken by us to protect our proprietary rights will be successful or adequate to prevent misappropriation, infringement or other violation of these rights. Upon the consummation of any future acquisitions, we may acquire additional registered trademarks, as well as applied-for trademarks potentially for worldwide use.

Streaming Internet Radio

We continuously obtain high-quality digital content and associated data from the record labels. These master files are stored in a secure database and transcoded into various audio formats that are then pushed to our production environment. The production system supports numerous streaming formats as required to serve the numerous end-user consumption devices that our service supports, including mobile handsets, connected car audio systems, smart TVs, HTML web players, etc. The production infrastructure consists of servers housed in our data center and caching servers, managed by our partners, distributed across the Internet. The caching servers temporarily store the content and related formats that are in high demand, thereby placing the most popular content closest to user endpoints, reducing latency and the number of content requests sent to our data center. When a given user makes a play request from their mobile device, the web, connected car, etc., the system sets up a secure connection to that user's device, automatically detects the proper format and the highest quality bitrate that can be streamed, and delivers the stream to our users.

Live Music

Technology is a key component of our network that brings our ecosystem to life for our users and Content Providers. We currently deliver our video viewer experience through our LXL App and an HTML-based website compatible with most major web browsers (e.g., Chrome, Safari, Internet Explorer) and operating systems (e.g., Windows, MacOS, iOS, Android). Our developers bring extensive experience building technology solutions for the leading media companies of the world, including the design of live and VOD workflows, the video content management system and delivery of content on mobile, OTT and desktop clients.

More recently, we built and launched a pioneering technology stack for delivering our content to users on nearly any Internet-connected device. Our most recent version of the LXL App is available on the iOS and Android operating systems and through Apple TV, Roku, Samsung and Amazon Fire platforms. We believe our full-service, delivery-to-distribution back-end will allow us to capitalize on monetization opportunities and is the first step in creating a digital supply chain for live music and music-related video content.

Users

We currently stream our music services for live events globally to music fans worldwide, and with users located in North America for our digital music streaming services. We are currently developing plans to expand our music presence internationally. Our music streaming customers include individual users and OEMs such as Tesla, Verizon, T-Mobile, and, to a lesser extent, advertisers and third-party licensees. For the fiscal year ended March 31, 2021 and 2020, we had one single customer that represented approximately 36% and 60% of our total consolidated revenue in the period, respectively.

We provide live production and content curating and processing services to our festival and event partners on an exclusive basis, globally. These agreements are generally for three to seven years in duration. Our customers also include major cable networks such as MTV, where we have historically agreed to share production costs for certain festivals. As of March 31, 2021, we were the exclusive representative to 26 festivals around the world.

Competitive Advantage

We are producers, acquirers and distributors of live and digital music and Internet radio entertainment services, and work closely with major and independent labels, music festival owners and other content producers to provide unique and compelling music content across our platform for our listeners. Accordingly, our significant operating and deal-making experience and relationships with Content Providers, OEMs such as Tesla, cable networks such as MTV, major advertisers and music publishers and distribution companies in our industry gives us a number of competitive advantages and may present us with a substantial number of additional business targets and relationships to facilitate growth going forward. We believe that we have sustainable competitive advantages due to our growing market position in live events, technology and relationships with important music labels, content suppliers and festival owners.

Our leadership team, consisting of our senior and executive management and our Board of Directors, collectively brings a wealth of industry relationships and expertise in the fields of programming, promotion, marketing, sales, distribution, web, digital, linear, mobile, legal and finance. The members of our Advisory Board are renowned in their respective fields, are considered thought leaders in the entertainment industry by their peers, further enhance our credibility and provide strategic guidance to our management team.

Many of the members of our leadership team have built businesses as entrepreneurs and/or have been executives at Fortune 500 companies. The team includes seasoned finance executives that have collectively been extensively involved in mergers and acquisitions in the live event, recorded music, music publishing, fashion, technology and other media and entertainment businesses. Our leadership team provides the knowledge to source, analyze, negotiate and complete acquisition transactions, partnerships and other business combinations.

Strategy

Content

During the year ended March 31, 2021, we livestreamed 146 major music festivals and events. The majority of our agreements provide us multi-year, exclusive rights to produce and digitally stream these live festivals across any screen in most major territories around the world for periods between two to seven years. Moreover, and in most cases, we also have the exclusive rights to VOD, AR, VR, broadcast TV and audio rights from these festivals (subject to music copyright clearances).

Our near-term strategy is to continue aggressively producing, acquiring and aggregating live and on-demand performances (e.g., on stage sets) and non-performance (e.g., behind the scenes, interviews) music-related video content from festivals, clubs, events, concerts, artists, promoters, venues, music labels and publishers (collectively, the “Content Providers”); acquiring and producing original music-related video and audio content; and curating existing online and digital radio premium content. In addition to acquiring and/or partnering with third party Content Providers, our digital studio, LXL Studios, plans to develop and produce original music-related video content, including digital magazine-style news programming and original-concept digital pilots and documentaries. During fiscal year ended March 31, 2021, we also launched our own franchises including “Music Lives,” our annual multi-artist virtual festival, “Music Lives ON,” our weekly series of virtual live-streaming performances, and “The Lockdown Awards”, our award show celebrating the best in quarantine content.

Over the long term, our strategy is to combine our live events with our audio music and radio services (collectively, the "Music Services"). We believe that the combination of these Music Services will serve as our user engagement platform, differentiate our Music Services from our competitors and provide us more opportunities to expand and grow our current subscriber base and revenues from subscription fees, advertising, sponsorship and licensing. Moreover, we plan to drive more audience to our Music Services platform of as we grow our streamed live events, helping us leverage and lower our overall marketing spending and drive more user growth.

Approximately 51% and 93% of our revenue for the years ended March 31, 2021 and 2020, respectively, was from our subscription services platform. With the increase in the number of digital-only live events and live views across our platform, we have experienced substantial growth in paid sponsorship revenue. With the acquisition of PodcastOne, our advertising revenue substantially increased as an overall percentage of our total revenue from 6% to 32%. Given the timing of the acquisition of CPS, merchandising revenue represented only 8% of our total revenues for the fiscal year ended March 31, 2021, however, we expect it to become a more meaningful portion of our overall revenue mix in fiscal 2022 and thereafter. Also, as live events return post the COVID-19 pandemic, we expect ticket and event revenue (including sponsorship) to increase meaningfully as a percentage of our overall revenue mix in the coming periods. We also believe the data we generate from our platform will be valuable to Industry Stakeholders and the ability to reach our audience to market more efficiently to them products and services.

Platform Innovation

Our platform engagement strategy is to build a compelling online and digital experience for our users, anchored by a pioneering website and our custom LXL App. Our LiveXLive platform offers access to some of the world's leading music festivals and live events with multi-day and simultaneous multi-stage coverage, unique concerts, intimate performances and premium original programming. It is fueled by our LXL App, which we believe will drive 24/7/365 user engagement and data that we will be able to convert to earnings and cash flow through multiple potential revenue streams.

We continuously redesign and develop our custom App with interactive features that enhance the live music experience and, when combined with our platform's functionality, unique features and underlying music service, create an immersive digital experience in and of itself. We believe the combination of the intuitive, modern LiveXLive user interface and cross-platform capabilities will be instrumental in creating a deeply engaging, personally-tailored central hub for live music, music-related video content and streaming music content, particularly for those users who are otherwise unable to attend live events in person. Our aim is to also include features for personalization, social interaction services, multiple live channels, vertical video, merchandise and other offerings to further solidify users' affinity toward our platform and their interests.

LiveXLive currently runs on a responsive HTML-based website that has been developed to work across browsers on any Internet-connected screen. The website's home page includes featured content portals used for programming the most relevant content. The remainder of the page features video content and music stations that are updated regularly and covers a full spectrum of music genres. As our content library and user data grows, the featured content portals and other aspects of the user experience will be individually personalized and tailored to a user's preferences and interests. We have added video, display and other advertising to the website to generate additional revenue. We will work with our developers to continue to iterate, add and tweak features based on internal and external feedback.

Our unified LXL App ecosystem includes live streaming video, VOD, streaming music stations, podcasts, vodcasts, push notifications, festival-specific functionality, original content video, locally sold and programmatic ads capability, the capability to display time-shifted content and enhanced functionality that will support social media sharing and user community engagement. The main Live page of our LXL App includes a top hero carousel depicting featured performances and options for viewing concurrent programming located below the top carousel. Our LXL App also includes a Live Video experience tab dedicated to ongoing and past festivals. For this section, we allow users to view multiple stages of a single festival broadcasting live simultaneously when applicable. We believe this fun and simple interface layout, together with LiveZone, will highlight key content and encourage users to also discover our other content offerings.

Our unified LXL App showcases several features that we believe will encourage and facilitate user engagement and interactivity, including:

Artist Picker - Personalization — This feature is foundational for personalization and recommendations of content with user profile integration; artists that are picked will track to user profiles for personalization. Through our acquisition of Slacker, we are able to add their highly developed enterprise content and user management systems to the LiveXLive platform. Once they have been upgraded to work with video as well as audio, they will form the core of LiveXLive's data management platform and personalization system.

Personalized and Programmed Content Carousels — Content carousels are a key feature of the new unified App with the ability to feature multiple programmed and personalized content of Live events, VOD featured content and audio streams.

Slacker-Powered Music Service — With the unification convergence of two content services, this integration includes the Slacker music service for streaming radio stations with data informed human curation. Slacker's expertise and toolset for generating both human curated and programmatically generated media channels allow LiveXLive to quickly bring both audio and video channels to market for a fraction of the expense typically associated with those activities.

Live Video Experience — The centerpiece foundation of our digital live experience to engage music fans is the Live Video experience section in which livestream video feeds, video on-demand, set-time schedules, real-time user interface elements and community interaction come together in a single unique digital environment.

Dynamic Video Player — Our player supports both Live streams and VOD playback, and also supports Vertical Video, which displays video with an edge-to-edge format in portrait view. This is how younger generations consume video and is a commonly familiar format catering to Millennials and Gen Zers.

Multiple Live Channels — For Live video broadcasts, this video player feature allows for easily switching between multi-channel perspectives covering different performances and stages of the live event being watched.

Social Sharing — With this social sharing functionality, app users are able to share content to Facebook, Twitter, Gmail, by SMS text and more.

Chat — In our endeavor to enhance the live event experience digitally, we will feature an integrated user chat system so users can connect, share and comment regarding the live content. The integrated chat will allow users to connect, comment and share, all without leaving the LXL App.

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

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

By executing the above strategies, we are creating a platform that is dedicated to live music and has the breadth and depth of content to reach and be relevant to a global audience of all ages.

Competition

While the broader market for live entertainment remains highly competitive, the digital distribution of live and music-related video content is still a nascent market. We believe live streamed music video content is the only remaining media genre without a dominant brand. We believe there is a tremendous amount of high-quality live music content available to be captured and produced but without a singular home for distribution and access by the public at large.

We expect to compete for the time and attention of our users with other Content Providers based on a number of factors, including: quality of experience, relevance, acceptance and diversity of content, ease of use, price, accessibility, perceptions of advertisement load, brand awareness and reputation. We also expect to compete for the time and attention of users based on the presence and/or visibility of the LiveXLive platform as compared with other platforms and Content Providers that deliver content through Internet-connected screens.

Our competitors include (i) broadcast radio providers, including terrestrial radio providers such as CBS and satellite radio providers such as Sirius XM, (ii) interactive on-demand audio content and pre-recorded entertainment, such as Apple Music, Amazon Music, Spotify and Pandora that allow listeners to stream music or select the audio content that they stream or purchase, (iii) podcast providers, including Amazon Music, Apple Music, Apple Podcasts, Spotify and iHeartMusic, (iv) large merchandise retailers, online and traditional specialty retailers, (v) other forms of entertainment, including Facebook, Twitch, Instagram, Google / YouTube and Twitter, and (v) promoters and producers of content on mobile, online and AR/VR platforms such as Red Bull TV, Live Nation TV and independent content owners. Conversely, these content platforms can also become valuable distribution partners. For example, we have livestreamed our music festivals and events across Facebook, YouTube and Twitch, and partnered with iHeartMedia to livestream multiple iHeart-sponsored events across our music platform, and our podcasts are available on Spotify, Amazon Music, Apple Podcasts, and iHeartMusic, among others.

We may also face direct competition from other large live music event competitors with regards to online distribution of live music and music-related video content, ticketing and sponsorship opportunities, including from Live Nation, AEG, and LiveStyle (formerly SFX). Furthermore, there are many smaller, regional companies that compete in the market as well.

Music Copyright and Rights Regulation

As a participant in the global music and radio industries, we are subject to a variety of copyright and regulatory obligations.

- Broadcast Music, Inc. (“BMI”) – BMI is a bridge between songwriters and the business and organizations that want to play their music publicly. BMI supports businesses and organizations that play music publicly by offering blanket music licenses that permit them to play nearly 17 million musical works.

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

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

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

- Other performing right organizations.

Government Regulation

Our operations are subject to various federal, state and local laws statutes, rules, regulations, policies and procedures, both domestically and internationally, governing matters such as:

- labor and employment laws;

- the United States Foreign Corrupt Practice Act (the “FCPA”) and similar regulations and laws in other countries;

- sales and other taxes and withholding of taxes;

- U.S. Securities and Exchange Commission (the "SEC") requirements;
- privacy laws and protection of personally identifiable information;
- marketing activities online; and
- United States copyright laws.

We believe that we are in material compliance with these laws. We are also required to comply with the laws of the countries we operate in and anti-bribery regulations under the FCPA. Such regulations make it illegal for us to pay, promise to pay, or receive money or anything of value to, or from, any government or foreign public official for the purpose of directly or indirectly obtaining or retaining business. This ban on illegal payments and bribes also applies to agents or intermediaries who use funds for purposes prohibited by the statute.

From time to time, governmental bodies have proposed legislation that could have an effect on our business. For example, some legislatures have proposed laws in the past that would impose potential liability on promoters and producers of live music events for entertainment taxes and for incidents that occur at such events, particularly incidents relating to drugs and alcohol. More recently, some jurisdictions have proposed legislation that would restrict ticketing methods and mandate ticket inventory disclosure.

Privacy Policy

As a company conducting business on the Internet, we are subject to a number of foreign and domestic laws and regulations relating to information security, data protection and privacy, among others. Many of these laws and regulations are still evolving and could be interpreted in ways that could hurt our business. In the area of information security and data protection, the laws in several states require companies to implement specific information security controls to protect certain types of personally identifiable information. Likewise, all but a few states have laws in place requiring companies to notify users if there is a security breach that compromises certain categories of their personally identifiable information. Any failure on our part to comply with these laws may subject us to significant liabilities.

We are also subject to federal and state laws regarding privacy of listener data. Our privacy policy and terms of use describe our practices concerning the use, transmission and disclosure of listener information and are posted on our website. Any failure to comply with our posted privacy policy or privacy-related laws and regulations could result in proceedings against us by governmental authorities or others, which could harm our business. Further, any failure by us to adequately protect the privacy or security of our users' information could result in a loss of confidence in our brand among existing and potential users, and ultimately, in a loss of users and advertising users, which could adversely affect our business.

We also collect and use certain types of information from our users in accordance with the privacy policies posted on our websites. We collect personally identifiable information directly from our platform's users when they register to use our service, fill out their listener profiles, post comments, use our service's social networking features, participate in polls and contests and sign up to receive email newsletters. We may also obtain information about our platform's users from other platform users and third parties. We also collect information from users using our other websites in order to provide ticketing services and other user support. Our policy is to use the collected information to customize and personalize our offerings for platform users and other users and to enhance the listeners' experience when using our service.

The sharing, use, disclosure and protection of personally identifiable information and other user data are governed by existing and evolving federal, state and international laws. We could be adversely affected if legislation or regulations are expanded to require changes in business practices or privacy policies, or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, financial condition and results of operations. We intend to attract users from all over the world, and as we expand into new jurisdictions, the costs associated with compliance with these regulations increases. It is possible that government or industry regulation in these markets will require us to deviate from our standard processes, which will increase operational cost and risk. We intend to commit capital resources to ensure our compliance with any such regulations.

Intellectual Property

We own 15 registered or pending patents on our streaming Internet radio services, including patents over playback of digital media content, method for providing user personalized content, systems for portable personalized radio, method for interactive distribution of digital content and systems for scoring and raking digital content based on activity of network users. We also own over 25 trademarks and trademark applications covering our various brands, channels and product names.

While we do not currently have a trademark on the LiveXLive name, on September 23, 2017, we entered into a Co-Existence Agreement with Monday Sessions Media, Inc. d/b/a Live X (“Live X”), in which we consented to Live X’s use and registration of the name and mark Live X and agreed to not challenge, dispute or contest Live X’s rights in such mark. Pursuant to this agreement, we agreed to not offer certain production services to third party businesses in connection with our mark LiveXLive and use commercially reasonable efforts to afford Live X opportunities to bid on production or streaming service opportunities. We intend to protect our trademarks, brands, copyrights, patents and other original and acquired works, ancillary goods and services. In connection with the Slacker acquisition, we acquired a trademark for the Slacker name. We believe that certain trademarks and other proprietary rights that we may apply for or otherwise obtain will have significant value and will be important to our brand-building efforts and the marketing of our services. We cannot predict, however, whether steps taken by us to protect our proprietary rights will be successful or adequate to prevent misappropriation, infringement or other violation of these rights. Upon the consummation of any future acquisitions, we may acquire additional registered trademarks, as well as applied-for trademarks potentially for worldwide use. See section below entitled “Item 1A. Risk Factors — We may be unable to adequately protect our intellectual property rights.”

Human Capital Management

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

Workforce Composition

As of March 31, 2021, we had a total of 227 employees of which 209 were full-time employees as well as other persons who provide to us consulting and other services, including through our subsidiaries. These employees represent the diverse and complex nature of LiveXLive with skills in programming operations, sales, engineering, podcasting, digital and beyond, as well as corporate support, such as information technology, legal, human resources, communications and finance.

Total Rewards

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

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

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

Diversity

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

Workplace Safety

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

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

Going Concern

We are dependent upon the receipt of capital investment and other financing to fund our ongoing operations and to execute our business plan. If continued funding and capital resources are unavailable at reasonable terms, we may not be able to implement our plan of operations. We may be required to obtain alternative or additional financing, from financial institutions or otherwise, in order to maintain and expand our existing operations. The failure by us to obtain such financing would have a material adverse effect upon our business, financial condition and results of operations.

Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern within one year after the date that the financial statements are issued. We may be required to cease operations which could result in our stockholders losing all or almost all of their investment. Management's plans in regard to these matters are described in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 – Organization and Basis of Presentation to our consolidated financial statements included elsewhere in this Annual Report.

Geographic Information

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

Corporate History

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

Available Information

Our main corporate website address is www.livexlive.com. Copies of our Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K and our other reports and documents filed with or furnished to the SEC, and any amendments to the foregoing, will be provided without charge to any shareholder submitting a written request to the Secretary at our principal executive offices or by calling (310) 601-2500. All of our SEC filings are also available on our website at http://ir.livexlive.com/ir-home as soon as reasonably practicable after having been electronically filed or furnished to the SEC. All of our SEC filings are also available at the SEC's website at www.sec.gov.

We provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, and press and earnings releases on the investor relations section of our corporate website. Investors can receive notifications of new press releases and SEC filings by signing up for email alerts on our website. Further corporate governance information, including our board committee charters and code of ethics, is also available on our website at http://ir.livexlive.com/ir-home. The information included on our website or social media accounts, or any of the websites of entities that we are affiliated with, is not incorporated by reference into this Annual Report or in any other report or document we file with the SEC, and any references to our website or social media accounts are intended to be inactive textual references only.

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all of the other information included in this Annual Report, before deciding whether to invest in our common stock. The occurrence of any of the risks described below could have a material adverse effect on our business, financial condition, results of operations and future growth prospects. In these circumstances, the market price of our common stock could decline, and you may lose all or part of your investment. Many of the following risks and uncertainties are, and will be, exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result.

RISK FACTORS SUMMARY

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

- **Risks Relating to Our Business and Industry**

  - We rely on one key customer for a substantial percentage of our revenue. The loss of our largest customer or the significant reduction of business or growth of business from our largest customer could significantly adversely affect our business, financial condition and results of operations.

  - We have incurred significant operating and net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future.

  - We may require additional capital, including to fund our current debt obligations and to fund potential acquisitions and capital expenditures, which may not be available on terms acceptable to us or at all and which depends on many factors beyond our control.

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

  - Our business is partially dependent on our ability to secure music streaming rights from Content Providers and to stream their live music and music-related video content on our platform, and we may not be able to secure such content on commercially reasonable terms or at all.

- If we fail to increase the number of users consuming our live music and music-related video content on our platform, and/or the number of subscribers to Slacker, our business, financial condition and results of operations may be adversely affected.
- Our ability to increase the number of our listeners depends in part on our ability to establish and maintain relationships with automakers, automotive suppliers and consumer electronics manufacturers with products that integrate our service.
- We may be unsuccessful in developing our original content.
- We face intense competition from competitors, and we may not be able to increase our revenues, which could adversely impact our business, financial condition and results of operations.
- Expansion of our content beyond live events and pre-recorded music, such as podcasts, subjects us to additional business, legal, financial and competitive risks.
- We face significant competition for advertiser and sponsorship spend.
- Our services and software are highly technical and may contain undetected software bugs or vulnerabilities, which could manifest in ways that could seriously harm our reputation and our business.
- Negative media coverage could adversely affect our business.
- Our business depends on a strong brand, and any failure to maintain, protect and enhance our brand would hurt our ability to retain or expand our base of ad-supported users, premium subscribers and advertisers.
- If our security systems are breached, we may face civil liability, and public perception of our security measures could be diminished, either of which would negatively affect our ability to attract and retain premium subscribers, ad-supported users, advertisers, Content Providers and other business partners.

- **Risks Related to Our Company**

  - If we are unable to establish and maintain effective disclosure controls and internal control over financial reporting, our ability to produce accurate financial statements on a timely basis or prevent fraud could be impaired, and the market price of our securities may be negatively affected.
  - We may not be entitled to forgiveness of the Paycheck Protection Program loans that some of our subsidiaries have obtained, and our and our subsidiaries' applications for the Paycheck Protection Program loans could in the future be determined to have been impermissible or could result in damage to our reputation.
  - We rely on key members of management, particularly our Chairman and Chief Executive Officer, Mr. Robert Ellin, and the loss of their services or investor confidence in them could adversely affect our success, development and financial condition.
  - Unfavorable outcomes in legal proceedings may adversely affect our business, financial conditions and results of operations.
  - Our debt agreements contain restrictive and financial covenants that may limit our operating flexibility and our substantial indebtedness may limit cash flow available to invest in the ongoing needs of our business.
  - We may not have the ability to repay the amounts then due under the Subordinated Notes and/or convertible notes at maturity.
  - If we do not comply with the provisions of the Subordinated Notes, our lenders may terminate their obligations to us and require us to repay all outstanding amounts owed thereunder.
  - We generate a substantial portion of our revenues from podcast and advertising and e-commerce merchandise sales. If we fail to maintain or grow podcasting and advertising and e-commerce merchandise revenue, our financial results may be adversely affected.

- **Risks Related to Our Acquisition Strategy**

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

- **Risks Related to Our Technology and Intellectual Property**

  - We rely heavily on technology to stream content and manage other aspects of our operations, and the failure of this technology to operate effectively could adversely affect our business.
  - Regulatory and business practice developments relating to personal information of our users and/or failure to adequately protect the personal information of our users may adversely affect our business.

- **Risks Related to Our PodcastOne Business**
  - We face and will continue to face competition for ad-supported users, premium subscribers, and user listening time.
  - Minimum guarantees required under certain of our podcast license agreements may limit our operating flexibility and may adversely affect our business, operating results, and financial condition.
- **Risks Related to Our E-commerce Merchandising Business**
  - Our business is affected by seasonality, which could result in fluctuations in our operating results.
  - We are subject to data security and privacy risks that could negatively affect our results, operations or reputation.
  - Changes in tax treatment of companies engaged in e-commerce may adversely affect the commercial use of our sites and our financial results.
- **Risks Related to our Festival and Events Business**
  - Our success relies, in part, on the strength of our live in person festivals and events, as well as our online businesses, and if any of them were to become less popular, our business could suffer.
  - If we are forced to cancel or postpone all or part of a scheduled festival or event, our business may be adversely impacted, and our reputation may be harmed.
  - There is the risk of personal injuries and accidents occurring at our live music events, which could subject us to personal injury or other claims, increase our expenses and damage our brands.
- **Risks Related to the Ownership of Our Common Stock**
  - The market price of our common stock may be highly volatile.
  - We cannot guarantee that our stock repurchase program will be consummated, fully or all, or that it will enhance long-term shareholder value. Stock repurchases could also increase the volatility of the trading price of our stock and could diminish our cash reserves.
  - Our Chairman and Chief Executive Officer and stockholders affiliated with him own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.
  - Sales of a substantial number of shares of our common stock in the public market by certain of our stockholders could cause our stock price to fall.
  - We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.
  - Provisions in our Certificate of Incorporation and Bylaws and provisions under Delaware law could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, and may prevent or frustrate attempts by our stockholders to replace or remove our current management.

Risks Related to Our Business and Industry

We rely on one key customer for a substantial percentage of our revenue. The loss of our largest customer or the significant reduction of business or growth of business from our largest customer could significantly adversely affect our business, financial condition and results of operations.

Our business is dependent, and we believe that it will continue to depend, on our customer relationship with Tesla, which accounted for 36% of our consolidated revenue for the year ended March 31, 2021, and 60% of our consolidated revenue for the year ended March 31, 2020. Our existing agreement with Tesla governs our music services to its car user base in North America, including our audio music streaming services. If we fail to maintain certain minimum service level requirements related to our service with Tesla or other obligations related to our technology or services, Tesla may terminate our agreement to provide them with such service. Tesla may also terminate our agreement for convenience at any time. If Tesla terminates our agreement, requires us to renegotiate the terms of our existing agreement or we are unable to renew such agreement on mutually agreeable terms, no longer makes our music services available to Tesla's car user base, becomes a native music service provider, replaces our music services with one or more of our competitors and/or we experience a significant reduction of business from Tesla, our business, financial condition and results of operations would be materially adversely affected.

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

Tesla has also integrated Spotify Premium to the car's in-dash touchscreen for its Model S, Model X and Model 3 vehicles. Tesla owners now have access to our music streaming services, Spotify and TuneIn natively. There is no assurance that our music streaming services will be available in every current and/or future Tesla model. Furthermore, our current and future competitors like Spotify, Apple Music, Tesla (if it becomes a native music service provider) and others may have more well-established brand recognition, more established relationships with, and superior access to content providers and other industry stakeholders, greater financial, technical and other resources, more sophisticated technologies or more experience in the markets in which we compete. If we are unable to compete successfully for users against our competitors by maintaining and increasing our presence and visibility, the number of users of our network may fail to increase as expected or decline and our advertising sales, subscription fees and other revenue streams will suffer.

In addition, we have derived, and we believe that we will continue to derive, a substantial portion of our revenues from a limited number of other customers. Any revenue growth will depend on our success in growing our customers' revenues on our platform and expanding our customer base to include additional customers. If we were to lose one or more of our key customers, there is no assurance that we would be able to replace such customers or lost business with new customers that generate comparable revenue, which would significantly adversely affect our business, financial condition and results of operations.

Our limited operating history makes it difficult to evaluate our current business and future prospects, and we may be unsuccessful in executing our business model.

We began our current business operations in February 2015 and have a limited operating history related to our current business. We are now a global digital media company focused on live entertainment. As of March 31, 2021, we generated minimal revenue from the operations of our live music streaming platform. In December 2017, we acquired Slacker Radio ("Slacker") and substantially all of our revenues as of March 31, 2021 were generated by Slacker, PodcastOne, and CPS. To date, we have devoted most of our financial resources to developing our current business model, growing Slacker's user base and product offerings and making key acquisitions. We expect to continue to incur substantial and increased expenses as we continue to execute our business approach, including expanding and developing our content and platform and potentially making other accretive acquisitions.

The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered by a developing company starting a new business enterprise, the difficulties that may be encountered with integrating acquired companies and the highly competitive environment in which we operate. For example, while several companies have been successful in the digital music streaming industry and the online video streaming industry, companies have had no or limited success in operating a premium Internet network devoted to live music and music-related video content. Because we have a limited operating history, we cannot assure you that our business will be profitable or that we will ever generate sufficient revenue to fully meet our expenses and support our anticipated activities.

We have incurred significant operating and net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future.

As reflected in our consolidated financial statements included elsewhere herein, we have a history of losses, incurred significant operating and net losses in each year since our inception, including net losses of $41.8 million and $38.9 million for the fiscal years ended March 31, 2021 and 2020, respectively, and cash used in operating activities of $9.5 million and $4.9 million for the fiscal years ended March 31, 2021 and 2020, respectively. As of March 31, 2021, we had an accumulated deficit of $169.9 million and net assets of $8.1 million. We anticipate incurring additional losses until such time that we can generate significant increases to our revenues, and/or reduce our operating costs and losses. To date, we have financed our operations exclusively through the sale of equity and/or debt securities (including convertible securities). The size of our future net losses will depend, in part, on the rate of future expenditures and our ability to significantly grow our business and increase our revenues. We expect to continue to incur substantial and increased expenses as we grow our business. We also expect a continued increase in our expenses associated with our operations as a publicly-traded company. We may incur significant losses in the future for a number of other reasons, including unsuccessful acquisitions, costs of integrating new businesses, expenses, difficulties, complications, delays and other unknown events. As a result of the foregoing, we expect to continue to incur significant losses for the foreseeable future and we may not be able to achieve or sustain profitability.

Our ability to meet our total liabilities of $77.6 million as of March 31, 2021, and to continue as a going concern, is dependent on our ability to increase revenue, reduce costs, achieve a satisfactory level of profitable operations, obtain additional sources of suitable and adequate financing and further develop and execute on our business plan. We may never achieve profitability, and even if we do, we may not be able to sustain being profitable. As a result of the going concern uncertainty, there is an increased risk that you could lose the entire amount of your investment in our company, which assumes the realization of our assets and the satisfaction of our liabilities and commitments in the normal course of business.

We may require additional capital, including to fund our current debt obligations and to fund potential acquisitions and capital expenditures, which may not be available on terms acceptable to us or at all and which depends on many factors beyond our control.

Historically, we have funded our business operations and capital expenditures primarily through equity and/or debt issuances (including convertible securities). To support our growing business, we must have sufficient capital to continue to make significant investments in our platform and product offerings. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to those of our common stock, and our existing stockholders may experience dilution. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. Any refinancing of our indebtedness could be at significantly higher interest rates, require additional restrictive financial and operational covenants, or require us to incur significant transaction fees, issue warrants or other equity securities, or issue convertible securities. These restrictions and covenants may restrict our ability to finance our operations and engage in, expand, or otherwise pursue our business activities and strategies. Our ability to comply with these covenants and restrictions may be affected by events beyond our control, and breaches of these covenants and restrictions could result in a default and an acceleration of our obligations under a debt agreement. If we raise additional funds through collaborations and licensing arrangements, we might be required to relinquish significant rights to our technologies or our solutions under development, or grant licenses on terms that are not favorable to us, which could lower the economic value of those programs to us.

We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans and operating performance and the condition of the capital markets at the time we seek financing and to an extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot be certain that additional financing will be available to us on favorable terms, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and our business, financial condition and results of operations could be adversely affected.

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

An outbreak of a novel strain of coronavirus, COVID-19 in December 2019 subsequently became a global pandemic and its impact continues as of the date of this Annual Report. The COVID-19 pandemic adversely impacted parts of our business during the fiscal year ended March 31, 2021,and continues to impact such parts of our business as of the date of this Annual Report, namely our live events and programmatic advertising. We began to experience modest adverse impacts of the COVID-19 pandemic in the fourth quarter of fiscal year ended March 31, 2020 and this impact became more adverse and continued throughout the fiscal year ended March 31, 2021 and is expected to continue through at least the quarter ended June 30, 2021. Due to the global pandemic and government actions taking in response, since March 2020, all in person festivals, concerts and events have either been canceled or suspended, and it is uncertain when they will be permitted to resume. With our acquisition of React Presents in February 2020, we were unable to produce and promote more than 200 forecasted live events in fiscal year ended March 31, 2021 and as of the date of this Annual Report, including our flagship live event Spring Awakening festival which is typically annually produced in June. Moreover, our programmatic advertising is presently adversely impacted as COVID-19 caused advertising demand to decline and as a result, overall advertising cost per thousand impressions rates across our platform were subsequently reduced. Furthermore, as of the date of this Annual Report, we are not livestreaming any fan attended live festivals, concerts or other in-person live events on our platform or channels and it is unclear when streaming of fan attended live festivals, concerts or other in-person live events will again become available to us. In addition, the outbreak and any preventative or protective actions that governments, other third parties or we may take in respect of the coronavirus may result in a period of business disruption and reduced operations. For example, Tesla was ordered to keep its main U.S. factory closed for a substantial amount of time in 2020 calendar year.

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

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

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

There is significant uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on our business. The extent to which COVID-19 impacts our business, result of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19, including new variants, the actions taken to contain it or treat its impact and the distribution and efficacy of vaccines. We cannot reasonably estimate the ultimate impact and duration of the coronavirus pandemic, and accordingly, the full extent to which COVID-19 impacts our business, results of operations, cash flows and financial condition cannot be predicted at this time and will depend on, among other things, the duration and spread of coronavirus, the impact of federal and local government actions that have been and continue to be taken in response, and the effectiveness of actions taken to contain or mitigate the pandemic and economic conditions, and the impact of COVID-19 may persist for an extended period of time or become more pronounced.

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

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

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

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

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

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

Our business is partially dependent on our ability to secure music streaming rights from Content Providers and to stream their live music and music-related video content on our platform, and we may not be able to secure such content on commercially reasonable terms or at all.

Our business is dependent on our ability to secure rights to stream on our platform a variety of popular content from Content Providers. Our licensing, distribution and/or production arrangements with Content Providers may be short-term and do not guarantee the continuation or renewal of these arrangements on commercially reasonable terms, if at all. For example, our agreement with Rock in Rio expires in 2021 and there is no guarantee that we will be able to renew this agreement on commercially reasonable terms or at all. Additionally, while our agreements with music festivals and other live music events and venues allow us to stream content from such events and venues, we typically require additional permission from the artists performing at such events, other rights holders and venues. While the majority of artists at music festivals and other live music events and venues that we have contracts with have in the past agreed to allow us to stream their performances, there is no guarantee that artists at an event will agree to allow us to stream their performances. Any unwillingness of such partners to supply content to us or lack of availability of popular artists to perform at such venues and events could limit our ability to enhance user experience and deepen user engagement with our platform and therefore reduce our revenue opportunities. If we are unable to secure rights to steam our content, then our business, financial condition and results of operations would be adversely affected. Additionally, to the extent any music festival or other live music event that we have rights to stream is cancelled or delayed, whether as a result of cancellation by a pandemic, artists, weather, terrorism or otherwise, we may receive little or no content from such live event.

In the 2019 fiscal year, we also began livestreaming our own digital live events under "LiveXLive Presents". In the 2020 fiscal year, we acquired React Presents, a producer, promoter and manager of in person live music festivals and events. In the 2021 fiscal year, we also began livestreaming our own digital festival and live events under "Music Lives" and "Music Lives ON", with "Music Lives" returning in March 2021 for its second edition. As we continue to livestream and grow our own live events, we may directly compete with our current and prospective Content Providers. This direct competition with our current and prospective Content Providers could harm our existing and future relationships with our Content Providers, and may result in a decline in the number of live events partnership, license, distribution and/or production opportunities available to us, which could adversely affect our business, financial condition and results of operations.

Some Content Providers and distributors, currently or in the future, may also take action to make it more difficult or impossible for us to partner with, license, distribute and/or produce their content, including as a result of them offering a competing product. Other content owners, providers or distributors may seek to limit our access to, increase the cost of, or otherwise restrict or prohibit our use of such content. As a result, we may be unable to offer a wide variety of content at reasonable prices with acceptable usage rules or expand our geographic reach.

Additionally, some content on our platform is currently provided free of digital rights management to prevent the unauthorized redistribution of digital media. If our business model changes, we may have to develop or license digital rights management technology. There is no assurance that we will be able to develop or license such technology at a reasonable cost and in a timely manner. In addition, certain countries have passed or may propose and adopt legislation that would require us to license our digital rights management, if any, which could weaken the protection of content, subject us to piracy and also negatively affect arrangements with our Content Providers.

We may be unable to fund any significant up-front and/or guaranteed payment cash requirements associated with our live music streaming rights, which could result in the inability to secure and retain such streaming rights and may limit our operating flexibility, which may adversely affect our business, operating results and financial condition.

In order to secure event and festival live music streaming rights, we may be required to fund significant up-front and/or minimum guaranteed cash payment requirements to artists or festival or event promoters prior to the event or festival taking place ("MGs"). While some MGs are recoupable by us as a direct cost before we share any revenue with the underlying partners, such future MGs are not tied to a number of users, active users, premium subscribers or the number of times we stream such content on our platform. Accordingly, our ability to achieve and sustain profitability and operating leverage on our services in part depends on our ability to increase our revenues through increased sales of premium services and advertising sales on terms that maintain an adequate gross margin. The duration of our content acquisition agreements that contain MGs is typically between three to seven years, but our premium subscribers may cancel their subscriptions at any time. If our forecasts for premium subscribers do not meet our expectations or the number of our premium subscribers or advertising sales do not materialize and/or decline significantly during the term of our content acquisition agreements, our margins may be materially and adversely impacted. To the extent our premium service revenue growth or advertising sales do not meet our or our partners' collective expectations, our business, operating results and financial condition also could be adversely impacted as a result of such MGs. In addition, the fixed cost nature of these MGs may limit our flexibility in planning for, or reacting to, changes in our business and the market segments in which we operate.

We rely on estimates of the market share of licensable content controlled by each content provider, as well as our own user growth and forecasted advertising revenue, to forecast whether such MGs could be recouped against our actual content acquisition costs incurred over the duration of each content acquisition agreement. To the extent that these revenue and/or market share estimates underperform relative to our expectations, leading to content acquisition costs that do not exceed such up-front and minimum guarantees, our margins may be materially and adversely impacted. If we do not have sufficient cash on hand or available capacity to advance the necessary cash for any given artist, event or festival, we would not be able to retain the rights for that artist, festival or event, such counter parties may be able to terminate their content acquisition agreements with us, and as a result our business, financial condition and results of operations may be adversely affected.

If we fail to increase the number of users consuming our live music and music-related video content on our platform, and/or the number of subscribers to Slacker, our business, financial condition and results of operations may be adversely affected.

The size of our user base is critical to our success, and we will need to develop and grow our user base to be successful. We currently generate revenue from Slacker's operations and expect to generate additional revenue based upon subscription, VOD, PPV, advertising and sponsorship, licensing, e-commerce and data, which is dependent on the number of users we retain and attract. For example, if we are unable to retain and attract users, we may be unable to attract users to our network and/or increase the frequency of users' engagement with our platform. In addition, if users do not perceive our content as original, entertaining or engaging, we may not be able to attract sponsorship opportunities and/or increase the resulting frequency of users' engagement with our platform and content. If we are unable to retain and attract users, our network and services could also be less attractive to potential new users, as well as to Content Providers and other Industry Stakeholders, which could have a material and adverse impact on our business, financial condition and results of operations.

Our ability to attract and retain users is highly sensitive to rapidly changing public tastes in music and technology.

Our ability to attract and retain users is highly sensitive to rapidly changing public tastes in music and technology and is dependent on our ability to maintain the attractiveness of our platform, content, technology and reputation as a place where quality online live music and music-related video content can be accessed and enjoyed. We will rely on the popularity of our Content Providers and the quality of their respective content to retain users, secure sponsorships and to facilitate growth in revenue from advertising and e-commerce. Maintaining the popularity of our content will be challenging, and our relationship with music fans could be harmed for many reasons, including the quality and diversity of our online content, quality of the experience with a particular festival, event or club, our competitors developing relationships with more popular festivals, events or clubs or attracting talent from our businesses, adverse occurrences or publicity in connection with a festival, event or club and changes to public tastes that are beyond our control and difficult to anticipate. For example, if users do not perceive our platform and services to be original, entertaining, engaging, useful, reliable or trustworthy, we may be unable to attract and retain users to our network and/or increase the frequency of users' engagement with our platform. Additionally, any cancellation or delay in music festivals, concerts or other live music events that we have rights to stream, or are otherwise associated with, may harm our reputation and make any related content less desirable to our users. A number of consumer-oriented music and/or tech websites that achieved early popularity have since seen their user bases or levels of engagement decline, in some cases precipitously. There is no guarantee that we will not experience a similar erosion of our user base. If our platform or content become less popular with music fans, our growth strategy would be harmed, which could in turn harm our business and financial results.

Our ability to attract and retain users depends upon many additional factors both within and beyond our control.

In addition to the popularity of our content, we believe that our ability to attract and retain users depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance and reliability of our platform, products and services, including Slacker, our LiveXLive Powered by Slacker application ("LXL App" or "LiveXLive App") and our PodcastOne application ("PodcastOne App"), compared to those of our competitors;
- the timing and market acceptance of our platform, products and services, including Slacker, LXL App and PodcastOne App;
- users' willingness to pay for subscription rights to our platform;
- our ability to develop and monetize an effective strategy to attract advertisers and sponsor of our platform;
- the frequency and relative prominence of the ads displayed by us or our competitors;
- our ability to establish and maintain relationships with our Content Providers to provide new content for our network;
- user concerns related to user privacy and our ability to keep user data secure;
- changes mandated by, or that we elect to make to address, legislation, regulatory authorities or litigation, including settlements and consent decrees, some of which may have a disproportionate effect on us;
- our ability to attract, retain and motivate talented employees, particularly engineers, designers and platform and content managers;
- fluctuations in costs of content which we may be unwilling or unable to pass through to our users;
- competitors' offerings that may include more favorable terms than we offer in order to obtain agreements for new content or venue, festival or ticketing arrangements;
- technological changes and innovations that we are unable to adopt or are late in adopting that offer more attractive entertainment alternatives than we or other live streamed entertainment providers currently offer;
- general economic conditions which could cause consumers to reduce discretionary spending;
- our ability to develop and monetize an effective strategy to buildout our e-commerce revenue stream;
- acquisitions or consolidation within our industry, which may result in more formidable competitors; and
- our reputation and the brand strength relative to our competitors.

In addition to attracting and retaining users, we will need to minimize user churn and attract lapsed users back to our platform and services, while ensuring that our user acquisition cost does not exceed user life-time value.

If we are unable to attract and retain users, minimize user churn, fail to attract lapsed users and/or ensure that our user acquisition cost does not exceed our user life-time value, any of these factors could adversely affect our business, financial condition and results of operations.

Our ability to increase the number of our listeners depends in part on our ability to establish and maintain relationships with automakers, automotive suppliers and consumer electronics manufacturers with products that integrate our service.

A key element of our strategy to expand the reach of our service and increase the number of our users and user hours spend on our platform is to establish and maintain relationships with automakers, automotive suppliers and consumer electronics manufacturers that integrate our service into and with their products. Working with certain third-party distribution partners, we currently offer listeners the ability to access our service through a variety of consumer electronics products used in the home and devices connected to or installed in automobiles. We intend to broaden our ability to reach additional listeners, and increase current listener hours, through other platforms and partners over time, including through direct integration into connected cars. However, product design cycles in consumer products and automotive manufacturing are lengthy, and we may not be able to achieve our goals in our desired timeframe, which could adversely impact our ability to grow our business.

Our existing agreements with partners in the automobile and consumer electronics industries generally do not obligate those partners to offer our service in their products. In addition, some automobile manufacturers or their supplier partners may terminate their agreements with us for convenience. Our business could be adversely affected if our automobile partners and consumer electronics partners do not continue to provide access to our service or are unwilling to do so on terms acceptable to us. If we are forced to amend the business terms of our distribution agreements as a result of competitive pressure, our ability to maintain and expand the reach of our service and increase listener hours would be adversely affected, which would reduce our revenue and harm our operating results.

We are a party to many content acquisition and other license agreements that are complex and impose numerous obligations upon us which may make it difficult to operate our business, and a breach of such agreements could adversely affect our business, operating results and financial condition.

Many of our content acquisition and other license agreements are complex and impose numerous obligations on us, including obligations to, among other things:

- calculate and make payments based on complex royalty structures, which requires tracking usage of content on our service that may have inaccurate or incomplete metadata necessary for such calculation;
- provide periodic reports on the exploitation of the content in specified formats;
- represent that we will obtain all necessary publishing licenses and consents and pay all associated fees, royalties, and other amounts due for the licensing of musical compositions;
- provide advertising inventory;
- comply with certain broadcasting limitations and restrictions;
- comply with certain marketing and advertising restrictions; and
- comply with certain security and technical specifications.

Some of our content acquisition and other license agreements grant the licensor the right to audit our compliance with the terms and conditions of such agreements. In addition, some of our content acquisition and other license agreements require consent to undertake certain business initiatives and without such consent, our ability to undertake new business initiatives may be limited. This could hurt our competitive position.

If we materially breach any of these obligations or any other obligations set forth in any of our content acquisition and other license agreements, or if we use content in ways that are found to exceed the scope of such agreements, we could be subject to monetary penalties and our rights under such license agreements could be terminated, either of which could have a material adverse effect on our business, operating results and financial condition. We may enter into settlement agreements in the future requiring us to make substantial payments as a result of claims that we are in breach of certain provisions in, or have exceeded the scope of, our content acquisition and other license agreements.

We may be unsuccessful in developing our original content.

We currently produce and plan to continue to produce original music-related video content, including LiveZone, and our other digital magazine-style news programming and original-concept digital pilots, documentaries and other original content. We believe that a positive reputation with users concerning our original content is important in attracting and retaining users. To the extent our content, in particular, our original programming, is perceived as low quality, offensive or otherwise not compelling to users, our ability to establish and maintain a positive reputation may be adversely impacted. If the original content we produce does not attract new users, we may not be able to cover our expenses to produce such programs, and our business, financial condition and results of operations may be adversely affected.

As we continue to develop our original content, we will become responsible for higher production costs and other expenses. We may also take on risks associated with production, such as completion and key talent risk. To the extent we do not accurately anticipate costs or mitigate risks, or if we become liable for content we acquire, produce, license and/or distribute, our business may suffer. Litigation to defend these claims could be costly and the expenses and damages arising from any liability or unforeseen production risks could harm our results of operations. We may not be indemnified against claims or costs of these types and we may not have insurance coverage for these types of claims.

We face competition for users' attention and time.

The market for entertainment video and radio content is intensively competitive and subject to rapid change. We compete against other entertainment video and radio providers, such as (i) interactive on-demand audio content and pre-recorded entertainment, (ii) broadcast radio providers, including terrestrial and Internet radio providers, (iii) cable, satellite and Internet television and movie content providers, (iv) video gaming providers and (v) other sources of entertainment for our users' attention and time. These content and service providers pose a competitive threat to the extent existing or potential users choose to consume their content or use their services rather than our content or our services. The online marketplace for live music and music-related content may rapidly evolve and provide users with a number of alternatives or new access models, which could adversely affect our business, financial condition and results of operations.

We face intense competition from competitors, and we may not be able to increase our revenues, which could adversely impact our business, financial condition and results of operations.

The music streaming industry is highly competitive. The music streaming industry competes with other forms of entertainment for consumers' discretionary spending, and within this industry we compete with other platforms to secure rights to content. In the markets in which we promote our streaming live music and music-related content, we face competition from other promoters and streaming operators. These competitors may engage in more extensive development efforts, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to existing and potential artists. Our competitors may also develop services, advertising options or music platforms that are equal or superior to those we provide or that achieve greater market acceptance and brand recognition than we achieve. It is possible that new competitors may emerge and rapidly acquire significant market share.

Our current and future competitors may have more well-established brand recognition, more established relationships with, and superior access to, Content Providers and other Industry Stakeholders, greater financial, technical and other resources, more sophisticated technologies or more experience in the markets in which we compete. These competitors may also compete with us for key employees and other individual service providers who have relationships with popular music artists or other Content Providers and that have a history of being able to book such artists or secure the rights to stream their music. If we are unable to compete successfully for users against other providers by maintaining and increasing our presence and visibility, the number of users of our network may fail to increase as expected or decline and our advertising sales, subscription fees and other revenue streams will suffer.

Our new platform features, services and initiatives, changes to existing features, services and initiatives and our plan to continue to increase the number of live events that we produce could fail to attract users, content partners, advertisers and platform partners or generate revenue.

Our new platform features, services and initiatives and changes to existing features, services and initiatives could fail to attract users, content partners, advertisers and platform partners or generate revenue. Our industry is subject to rapid and frequent changes in technology, evolving customer needs and the frequent introduction by our competitors of new and enhanced offerings. We must constantly assess the playing field and determine whether we need to improve or re-allocate resources amongst our existing platform features and services or create new products (independently or in conjunction with third parties). Our ability to increase the size and engagement of our user base, attract content partners, advertisers and platform partners and generate revenue will depend on those decisions. We may introduce significant changes to our existing platform and services or develop and introduce new and unproven products and services, including technologies with which we have little or no prior development or operating experience. If new or enhanced platform features or services fail to engage users, content partners and advertisers, we may fail to attract or retain users or to generate sufficient revenue or operating profit to justify our investments, and our business and operating results could be adversely affected.

In addition, in the 2021 fiscal year, we started producing and expect to continue to produce live events, including digital and PPV events, that generated revenue and which we believe will enhance our attractiveness to users, content partners and advertisers. We hope to drive increased advertising to monetize our live events and our platform and services through advertising and sponsorship opportunities associated with live streaming and music-related content. In the future, we may invest in new products, product features, services and initiatives and may produce a greater number of live events to generate revenue, but there is no guarantee these approaches will be successful. We may not be successful in future efforts to generate advertising and/or sponsorship opportunities and generate revenue from or able to monetize our new products or services and live events produced by us. If such strategic initiatives do not enhance our ability to monetize our existing platform and services, enable us to develop new approaches to monetization or meet the expectations of our users or third-party business partners, we may not be able to maintain or grow our revenue or recover any associated development costs and our operating results could be adversely affected.

Expansion of our content beyond live events and pre-recorded music, such as podcasts, subjects us to additional business, legal, financial and competitive risks.

Expansion of our operations into delivery of content beyond live events and pre-recorded music involves numerous risks and challenges, including increased capital requirements, new competitors and the need to develop new strategic relationships. Growth into these new areas may require changes to our existing business model and cost structure, modifications to our infrastructure and exposure to new regulatory and legal risks, including infringement liability, any of which may require additional expertise that we currently do not have. There is no guarantee that we will be able to generate sufficient revenue from advertising sales associated with podcasts or other non-prerecorded-music content to offset the costs of acquiring this content. Further, we have established a reputation as a live music provider and our ability to gain acceptance and listenership for podcasts or other non-music content, and thus our ability to attract advertisers to this content, is not certain. Failure to obtain or retain rights to podcasts or other non-music content on acceptable terms, or at all, to successfully monetize and generate revenues from such content, or to effectively manage the numerous risks and challenges associated with such expansion could adversely affect our business and financial condition.

We face significant competition for advertiser and sponsorship spend.

We face significant competition for advertiser spend. Substantially all of our revenue to date is generated through subscriptions to our music platform, as well as sponsorships and ads on our website and mobile app. We compete against online and mobile businesses, including those referenced above, and traditional media outlets, such as television, radio and print, for advertising budgets. We also compete with advertising networks, exchanges, demand side platforms and other platforms, such as Google AdSense, DoubleClick Ad Exchange, Oath advertising platform and Microsoft Media Network, for marketing budgets and in the development of the tools and systems for managing and optimizing advertising campaigns. Slacker competes with platforms, such as Apple’s iTunes Music Store and Apple Music, Spotify, SiriusXM Satellite Radio, YouTube, Tidal, Napster and Amazon Prime that provide interactive on-demand audio content and pre-recorded entertainment. In order to grow our revenues and improve our operating results, we will need to increase our share of spending on advertising relative to our competitors, many of which are larger companies that offer more traditional and widely accepted advertising products. In addition, some of our larger competitors have substantially broader product or service offerings and leverage their relationships based on other products or services to gain additional share of advertising budgets. If we are not able to compete effectively for users and advertisers spend, our business, financial condition and results of operations would be materially and adversely affected.

Emerging industry trends in digital advertising may pose challenges for our ability to forecast or optimize our advertising inventory, which may adversely impact our ad-supported revenue.

The digital advertising industry is introducing new ways to measure and price advertising inventory. For example, a significant portion of advertisers are in the process of moving from purchasing advertisement impressions based on the number of advertisements served by the applicable ad server to a new “viewable” impression standard (based on number of pixels in view and duration) for select products. In the absence of a uniform industry standard, agencies and advertisers have adopted several different measurement methodologies and standards. In addition, measurement services may require technological integrations, which are still being evaluated by the advertising industry without an agreed-upon industry standard metric. As these trends in the industry continue to evolve, our advertising revenue may be adversely affected by the availability, accuracy, and utility of the available analytics and measurement technologies as well as our ability to successfully implement and operationalize such technologies and standards.

Further, the digital advertising industry is shifting to data-driven technologies and advertising products, such as automated buying. These data-driven advertising products and automated buying technologies allow publishers and advertisers to use data to target advertising toward specific groups of users who are more likely to be interested in the advertising message delivered to them. These advertising products and programmatic technologies are currently more developed in terms of advertising technology and industry adoption on the web than they are on mobile or on other software applications, and may not integrate with our desktop software version of the ad-supported services. Because the majority of our ad-supported user hours occur on mobile devices, if we are unable to deploy effective solutions to monetize the mobile device usage by our ad-supported user base, our ability to attract advertising spend, and ultimately our advertising revenue, may be adversely affected by this shift. In addition, we rely on third-party advertising technology platforms to participate in automated buying, and if these platforms cease to operate or experience instability in their business models, it also may adversely affect our ability to capture advertising spend.

Our services and software are highly technical and may contain undetected software bugs or vulnerabilities, which could manifest in ways that could seriously harm our reputation and our business.

Our services and software are highly technical and complex. Our services or any other products we may introduce in the future, may contain undetected software bugs, hardware errors, and other vulnerabilities. These bugs and errors can manifest in any number of ways in our products, including through diminished performance, security vulnerabilities, malfunctions, or even permanently disabled products. We have a practice of regularly updating our products and some errors in our products may be discovered only after a product has been used by users, and may in some cases be detected only under certain circumstances or after extended use. Any errors, bugs or other vulnerabilities discovered in our code or backend after release could damage our reputation, drive away users, allow third parties to manipulate or exploit our software (including, for example, providing mobile device users a means to suppress advertisements without payment and gain access to features only available to the ad-supported service), lower revenue and expose us to claims for damages, any of which could seriously harm our business. Additionally, errors, bugs, or other vulnerabilities may—either directly or if exploited by third parties—affect our ability to make accurate royalty payments.

We also could face claims for product liability, tort or breach of warranty. Defending a lawsuit, regardless of its merit, is costly and may divert management’s attention and seriously harm our reputation and our business. In addition, if our liability insurance coverage proves inadequate or future coverage is unavailable on acceptable terms or at all, our business could be seriously harmed.

Interruptions, delays or discontinuations in service arising from our own systems or from third parties could impair the delivery of our services and harm our business.

We rely on systems housed in our own facilities and upon third parties, including bandwidth providers and third-party “cloud” data storage services, to enable our users to receive our content in a dependable, timely, and efficient manner. We have experienced and may in the future experience periodic service interruptions and delays involving our own systems and those of third parties that we work with. Both our own facilities and those of third parties are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, and similar events. They also are subject to break-ins, sabotage, intentional acts of vandalism, the failure of physical, administrative, technical, and cyber security measures, terrorist acts, natural disasters, human error, the financial insolvency of third parties that we work with, and other unanticipated problems or events. The occurrence of any of these events could result in interruptions in our services and to unauthorized access to, or alteration of, the content and data contained on our systems and that these third parties store and deliver on our behalf.

Any disruption in the services provided by these third parties could materially adversely impact our business reputation, customer relations, and operating results. Upon expiration or termination of any of our agreements with third parties, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us, and a transition from one third party to another could subject us to operational delays and inefficiencies until the transition is complete.

We rely upon the Google Cloud Platform to operate certain aspects of our business and to store certain data, and any disruption of or interference with our use of the Google Cloud Platform could have a material adverse effect on our business, operating results, and financial condition.

Google Cloud Platform ("GCP") provides a distributed computing infrastructure platform for business operations, or what is commonly referred to as a cloud computing service. We have designed our software and computer systems to utilize data processing, storage capabilities, and other services provided by GCP. Currently, we are in the process of transitioning all of our data storage (including personal data of users and music data licensed from rights holders) and computing from our own servers to GCP. We cannot easily switch our GCP operations to another cloud provider, and any disruption of, or interference with, our use of GCP could have a material adverse effect on our business, operating results, and financial condition. While the consumer side of Google competes with us, we do not believe that Google will use the GCP operation in such a manner as to gain competitive advantage against our Service. Subsequent to year end, we entered into a new service agreement with Google for the use of GCP.

If we fail to accurately predict, recommend, and stream and play music that our users enjoy, we may fail to retain existing users and attract new users in sufficient numbers to meet investor expectations for growth or to operate our business profitably.

We believe that a key differentiating factor between our Company and other music Content Providers is our ability to predict music that our users will enjoy. Our system for predicting user content and music preferences and selecting content and music tailored to our users' individual music tastes is based on advanced data analytics systems and our proprietary algorithms. We have invested, and will continue to invest, significant resources in refining these technologies; however, we cannot assure you that such investments will yield an attractive return or that such refinements will be effective. The effectiveness of our ability to predict user content and music preferences and select content and music tailored to our users' individual music tastes depends in part on our ability to gather and effectively analyze large amounts of user data. In addition, our ability to offer users content and songs that they have not previously seen or heard and impart a sense of discovery depends on our ability to acquire and appropriately categorize additional content and songs that will appeal to our users' diverse and changing tastes. While we are continuously increasing our content and have a large catalog of songs available to stream, we must continuously produce, acquire, identify and analyze additional content and songs that our users will enjoy and we may not effectively do so. Our ability to predict and select content and music that our users enjoy is critical to the perceived value of our services among users and failure to make accurate predictions could materially adversely affect our ability to adequately attract and retain users, increase hours our users spend on our platforms and sell advertising to meet investor expectations for growth or to operate the business profitably.

If we are unable to increase revenue from our services on mobile devices, such as smartphones, our results of operations may be materially adversely affected.

Our business model with respect to monetization of our services on mobile and connected devices is still evolving. As users migrate away from personal computers, there is increasing pressure to monetize mobile. In substantially all markets, we offer our ad-supported services on mobile, from which we generate advertising revenue. However, to date we primarily rely on our premium services to generate revenue on mobile and other connected devices. If we are unable to effectively monetize our services on mobile and connected devices, our business, operating results and financial condition may suffer.

Negative media coverage could adversely affect our business.

We receive sizable media coverage around the world. Unfavorable publicity regarding, for example, payments to music labels, publishers, artists and other copyright owners, our privacy practices, terms of service, service changes, service quality, litigation or regulatory activity, government surveillance, the actions of our advertisers, the actions of our developers whose services are integrated with our services, the use of our services for illicit, objectionable or illegal ends, the quality and integrity of content streamed on our services or the actions of other companies that provide similar services to us, could materially adversely affect our reputation. Such negative publicity also could have an adverse effect on the size, engagement and loyalty of our user base and result in decreased revenue, which could materially adversely affect our business, operating results and financial condition.

Our business depends on a strong brand, and any failure to maintain, protect and enhance our brand would hurt our ability to retain or expand our base of ad-supported users, premium subscribers and advertisers.

We have developed a strong "Slacker" brand and are developing what we hope to be a strong "LiveXLive" brand in the future that we believe contributes and will contribute significantly to the success of our business. Maintaining, protecting and enhancing the "LiveXLive" and "Slacker" brands is critical to expanding our base of ad-supported users, premium subscribers and advertisers, and will depend largely on our ability to continue to develop and provide an innovative and high-quality experience for our users and to attract advertisers, content owners, mobile device manufacturers, and other consumer electronic product manufacturers to work with us, which we may not do successfully. If we do not successfully maintain a strong brand, our business could be harmed.

Our brands may be impaired by a number of other factors, including any failure to keep pace with technological advances on our platform or with our services, slower load times for our services, a decline in the quality or quantity of the content available on our services, a failure to protect our intellectual property rights or any alleged violations of law, regulations, or public policy. Additionally, the actions of our developers, advertisers, and content partners may affect our brand if users do not have a positive experience using third-party applications or websites integrated with us or that make use of our content. Further, if our partners fail to maintain high standards for products that are integrated into our services, fail to display our trademarks on their products in breach of our agreements with them, or use our trademarks incorrectly or in an unauthorized manner, or if we partner with manufacturers of products that our users reject, the strength of our brand could be adversely affected.

We have historically been required to spend significant resources to establish and maintain our brands. If we are unable to maintain the growth rate in the number of our ad-supported users and premium subscribers, we may be required to expend greater resources on advertising, marketing and other brand-building efforts to preserve and grow consumer awareness of our brand, which would adversely affect our operating results and may not be effective.

Our trademarks, trade dress and other designations of origin are important elements of our brand. We have registered "Slacker" as a trademark in the United States and certain other jurisdictions around the world. Nevertheless, competitors or other companies may adopt marks similar to ours, or use our marks and confusingly similar terms as keywords in Internet search engine advertising programs, thereby impeding our ability to build brand identity and possibly leading to confusion among our users. We cannot assure you that our trademark applications, even for key marks, will be approved. We may face opposition from third parties to our applications to register key trademarks in foreign jurisdictions in which we have expanded or may expand our presence. If we are unsuccessful in defending against these oppositions, our trademark applications may be denied. Whether or not our trademark applications are denied, third parties may claim that our trademarks infringe upon their rights. As a result, we could be forced to pay significant settlement costs or cease the use of these trademarks and associated elements of our brand in those or other jurisdictions. Doing so could harm our brand or brand recognition and adversely affect our business, financial condition and results of operation.

We are subject to a number of risks related to credit card and debit card payments we accept.

We accept payments mainly through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees would require us to either increase the prices we charge for our premium service, which could cause us to lose premium subscribers and subscription revenue, or suffer an increase in our costs without a corresponding increase in the price we charge for our premium service, either of which could harm our business, operating results and financial condition.

Additionally, we rely on third-party service providers for payment processing services, including the processing of credit and debit cards. In particular, we rely on one third-party service provider, Cybersource, for all of our payment processing. Our business could be materially disrupted if these third-party service providers become unwilling or unable to provide these services to us.

If we or our service providers for payment processing services have problems with our billing software, or the billing software malfunctions, it could have a material adverse effect on our user satisfaction and could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our premium subscribers' credit cards on a timely basis or at all, our business, financial condition and results of operations could be materially adversely affected.

We also are subject to payment card association operating rules, certification requirements, and rules governing electronic funds transfers, which could change or be reinterpreted to make it more difficult for us to comply. Currently, we are fully compliant with the Payment Card Industry Data Security Standard v3.2 ("PCI DSS"), a security standard with which companies that collect, store, or transmit certain data regarding credit and debit cards, credit and debit card holders, and credit and debit card transactions are required to comply. This is an annual certification exercise, and if we fail to comply, we may violate payment card association operating rules, U.S. federal and state laws and regulations, and the terms of our contracts with payment processors and merchant banks. Such failure to comply fully also may subject us to fines, penalties, damages, and civil liability, and may result in the loss of our ability to accept credit and debit card payments. Further, there is no guarantee that, even if we are in compliance with PCI DSS, we will maintain PCI DSS compliance or that such compliance will prevent illegal or improper use of our payment systems or the theft, loss, or misuse of data pertaining to credit and debit cards, credit and debit card holders, and credit and debit card transactions.

If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures, and significantly higher credit card-related costs, each of which could adversely affect our business, financial condition, and results of operations. If we are unable to maintain our chargeback rate or refund rates at acceptable levels, credit card and debit card companies may increase our transaction fees or terminate their relationships with us. Any increases in our credit card and debit card fees could adversely affect our results of operations, particularly if we elect not to raise our rates for our premium services to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

We are subject to a number of risks related to other payment solution providers.

We accept payments through various payment solution providers, such as telco integrated billings and third-party payment processors. These payment solution providers provide services to us in exchange for a fee, which may be subject to change. Furthermore, we rely on their accurate and timely reports on sales and redemptions. If such accurate and timely reports are not being provided, it will affect the accuracy of our reports to our licensors, and also affect the accuracy of our financial reporting.

Our business emphasizes rapid innovation and prioritizes long-term user engagement over short-term financial condition or results of operations. That strategy may yield results that sometimes do not align with the market's expectations. If that happens, our stock price may be negatively affected.

As our business grows and becomes more complex, our success will depend on our ability to quickly develop and launch new and innovative products. We believe our culture fosters this goal. Our focus on complexity and quick reactions could result in unintended outcomes or decisions that are poorly received by our users, advertisers, or partners. Our culture also prioritizes our long-term user engagement over short-term financial condition or results of operations. We frequently make decisions that may reduce our short-term revenue or profitability if we believe that the decisions benefit the aggregate user experience and will thereby improve our financial performance over the long-term. These decisions may not produce the long-term benefits that we expect, in which case, our user growth and engagement, our relationships with advertisers and partners, as well as our business, operating results, and financial condition could be seriously harmed.

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

Our services require high-bandwidth data capabilities. If the costs of data usage increase or access to data networks is limited, our business may be seriously harmed. Additionally, to deliver high-quality audio, video, and other content over networks, our services must work well with a range of technologies, systems, networks, regulations and standards that we do not control. In addition, the adoption of any laws or regulations that adversely affect the growth, popularity, or use of the Internet, including laws governing Internet neutrality, could decrease the demand for our Service and increase our cost of doing business. Previously, Federal Communications Commission (the "FCC") "open Internet rules" prohibited mobile providers in the United States from impeding access to most content, or otherwise unfairly discriminating against Content Providers like us. These rules also prohibited mobile providers from entering into arrangements with specific Content Providers for faster or better access over their data networks. However, on December 14, 2017, the FCC voted to repeal the "open Internet rules" and as a result, broadband services are now subject to less U.S. federal regulation. A number of parties have already stated they would appeal this order, and it is possible United States Congress may adopt legislation restoring some of the "open Internet rules." If, as a result of the repeal of "open Internet rules," broadband providers in the United States decrease access to certain content, start entering into arrangements with specific Content Providers for faster or better access over their data networks, or otherwise unfairly discriminate against Content Providers like us, this could increase our cost of doing business and put us at a competitive disadvantage relative to larger competitors. Additionally, mobile providers may be able to limit our users' ability to access our platforms or make them a less attractive alternative to our competitors' applications. If that occurs, our business, operating results and financial condition would be seriously harmed.

The European Union (the "EU") currently requires equal access to Internet content. Additionally, as part of its Digital Single Market initiative, the EU may impose network security, disability access, or 911-like obligations on "over-the-top" services such as those provided by us, which could increase our costs. If the EU or the courts modify these open Internet rules, mobile providers may be able to limit our users' ability to access our platforms or make them a less attractive alternative to our competitors' applications. If that occurs, our business, operating results and financial condition would be seriously harmed.

We rely on a variety of operating systems, online platforms, hardware, and networks to reach our customers. These platforms range from desktop and mobile operating systems and application stores to wearables and intelligent voice assistants. The owners or operators of these platforms may not share our interests and may restrict our access to them or place conditions on access that would materially affect our ability to access those platforms. In particular, where the owner of a platform also is our direct competitor, the platform may attempt to use this position to affect our access to customers and ability to compete. For example, an online platform might arbitrarily remove our services from its platform, deprive us of access to business-critical data, or engage in other harmful practices. Online platforms also may unilaterally impose certain requirements that negatively affect our ability to convert users to the premium service, such as conditions that limit our freedom to communicate promotions and offers to our users. Similarly, online platforms may force us to use the platform's payment processing systems which may be inferior to and more costly than other payment processing services available in the market.

Online platforms frequently change the rules and requirements for services like ours to access the platform, and such changes may adversely affect the success or desirability of our services. Online platforms may limit our access to information about users, limiting our ability to convert and retain them. Online platforms also may deny access to application programming interfaces ("API") or documentation, limiting functionality of our services on the platform.

There can be no assurance that we will be able to comply with the requirements of those operating systems, online platforms, hardware, networks, regulations and standards on which our services depend, and failure to do so could result in serious harm to our business.

If our security systems are breached, we may face civil liability, and public perception of our security measures could be diminished, either of which would negatively affect our ability to attract and retain premium subscribers, ad-supported users, advertisers, Content Providers and other business partners.

Techniques used to gain unauthorized access to data and software are constantly evolving, and we may be unable to anticipate or prevent unauthorized access to data pertaining to our users, including credit card and debit card information and other personal data about our Users, business partners, and employees. Like all Internet services, our services, which are supported by our own systems and those of third parties that we work with, is vulnerable to software bugs, computer viruses, Internet worms, break-ins, phishing attacks, attempts to overload servers with denial-of-service, or other attacks and similar disruptions from unauthorized use of our and third-party computer systems, any of which could lead to system interruptions, delays, or shutdowns, causing loss of critical data or the unauthorized access to personal data. Computer malware, viruses, and computer hacking and phishing attacks have become more prevalent in our industry, have occurred on our systems in the past, and may occur on our systems in the future. As our business and brand reputation grow, we may become a particularly attractive target for such attacks. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security, and availability of our products and technical infrastructure to the satisfaction of our users may harm our reputation and our ability to retain existing users and attract new users. Although we have developed systems and processes that are designed to protect our data and user data, to prevent data loss, to disable undesirable accounts and activities on our platform, and to prevent or detect security breaches, we cannot assure you that such measures will provide absolute security, and we may incur significant costs in protecting against or remediating cyber-attacks.

In addition, if an actual or perceived breach of security occurs to our systems or a third party's systems, we may face regulatory or civil liability and public perception of our security measures could be diminished, either of which would negatively affect our ability to attract and retain Users, which in turn would harm our efforts to attract and retain advertisers, Content Providers and other business partners. We also would be required to expend significant resources to mitigate the breach of security and to address matters related to any such breach. We also may be required to notify regulators about any actual or perceived personal data breach (including the EU Lead Data Protection Authority) as well as the individuals who are affected by the incident within strict time periods.

Any failure, or perceived failure, by us to maintain the security of data relating to our users, to comply with our posted privacy policy, laws and regulations, rules of self-regulatory organizations, industry standards, and contractual provisions to which we may be bound, could result in the loss of confidence in us, or result in actions against us by governmental entities or others, all of which could result in litigation and financial losses, and could potentially cause us to lose Users, advertisers, and revenues. In Europe, European Data Protection Authorities could impose fines and penalties of up to 4% of annual global turnover or €20 million, whichever is higher, for a personal data breach.

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

We have in the past been, and continue to be, impacted by attempts by third parties to manipulate and exploit our software for the purpose of gaining unauthorized access to our service. For example, we have detected instances of third parties seeking to provide mobile device users a means to suppress advertisements without payment and gain access to features only available to the ad-supported services. If in the future we fail to successfully detect and address such issues, it may have artificial effects on our key performance indicators, such as content hours, content hours per MAU, and MAUs, which underlie, among other things, our contractual obligations with advertisers, as well as harm our relationship with them. This may impact our results of operations, particularly with respect to margins on our ad-supported segment, by increasing our ad-supported cost of revenue without a corresponding increase to our ad-supported revenue, which could seriously harm our business. Additionally, unlike our ad-supported users, individuals using unauthorized versions of our application are unlikely to convert to premium subscribers. Moreover, once we detect and correct such unauthorized access and any key performance indicators it affects, investor confidence in the integrity of our key performance indicators could be undermined. These could have a material adverse impact on our business, operating results and financial condition.

We are at risk of artificial manipulation of stream counts and failure to effectively manage and remediate such fraudulent streams could have an adverse impact on our business, operating results and financial condition. Fraudulent streams and potentially associated fraudulent user accounts or artists may cause us to overstate key performance indicators, which once discovered, corrected and disclosed, could undermine investor confidence in the integrity of our key performance indicators and could cause our stock price to drop significantly.

We have in the past been, and continue to be, impacted by attempts by third parties to artificially manipulate stream counts. Such attempts may, for example, be designed to influence placement of content on Slacker-created playlists or industry music charts. These potentially fraudulent streams also may involve the creation of non-bona fide user accounts or artists. For example, an individual might generate fake users to stream songs repeatedly, thereby generating revenue each time the song is streamed, or might utilize fake users to stream specific content to increase its visibility on our or third-party charts. We use a combination of algorithms and manual review by employees to detect fraudulent streams. However, we may not be successful in detecting, removing and addressing all fraudulent streams (and any related user accounts). If in the future we fail to successfully detect, remove and address fraudulent streams and associated user accounts, it may result in the manipulation of our data, including the key performance indicators which underlie, among other things, our contractual obligations with advertisers (which could expose us to the risk of litigation), as well as harm our relationships with advertisers and rights holders. In addition, once we detect, correct and disclose fraudulent streams and associated user accounts and the key performance indicators they affect, investor confidence in the integrity of our key performance indicators could be undermined. These could have a material adverse impact on our business, operating results and financial condition.

Our user metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may seriously harm and negatively affect our reputation and our business.

We regularly review key metrics related to the operation of our business, including, but not limited to, our ad-supported MAUs, content hours, content hours per MAU, MAUs and premium subscribers, to evaluate growth trends, measure our performance and make strategic decisions. These metrics are calculated using internal company data and have not been validated by an independent third party. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our services are used across large populations globally. For example, we believe that there are individuals who have multiple Slacker accounts, which can result in an overstatement of ad-supported MAUs and MAUs.

Errors or inaccuracies in our metrics or data could result in incorrect business decisions and inefficiencies. For instance, if a significant understatement or overstatement of ad-supported MAUs and MAUs were to occur, we may expend resources to implement unnecessary business measures or fail to take required actions to attract a sufficient number of users to satisfy our growth strategies.

In addition, advertisers generally rely on third-party measurement services to calculate our metrics, and these third-party measurement services may not reflect our true audience. Some of our demographic data also may be incomplete or inaccurate because Users self-report their names and dates of birth. Consequently, the personal data we have may differ from our users' actual names and ages. If advertisers, partners, or investors do not perceive our user, geographic or other demographic metrics to be accurate representations of our user base, or if we discover material inaccuracies in our user, geographic or other demographic metrics, our reputation may be seriously harmed, which could have an adverse impact on our business, operating results, and financial condition.

Our business is subject to a variety of laws around the world. Government regulation of the Internet is evolving and any changes in government regulations relating to the Internet or other areas of our business or other unfavorable developments may adversely affect our business, operating result, and financial condition.

We are a U.S.-based company that is registered under the laws of the State of Delaware, and with operations in certain countries and territories around the world. As a result of the scope of our operations, we are subject to a variety of laws in different countries. The scope and interpretation of the laws that are or may be applicable to us are often uncertain and may be conflicting. It also is likely that if our business grows and evolves and our solutions are used more globally, we will become subject to laws and regulations in additional jurisdictions. It is difficult to predict how existing laws will be applied to our business and the new laws to which we may become subject.

We are subject to general business regulations and laws, as well as regulations and laws specific to the Internet. Such laws and regulations include, but are not limited to, labor, advertising and marketing, real estate, taxation, user privacy, data collection and protection, intellectual property, anti-corruption, anti-money laundering, foreign exchange controls, antitrust and competition, electronic contracts, telecommunications, sales procedures, automatic subscription renewals, credit card processing procedures, consumer protections, broadband Internet access and content restrictions. We cannot guarantee that we have been or will be fully compliant in every jurisdiction in which we are subject to regulation, as existing laws and regulations governing issues such as intellectual property, privacy, taxation, and consumer protection, among others, are constantly changing. The adoption or modification of laws or regulations relating to the Internet or other areas of our business could limit or otherwise adversely affect the manner in which we currently conduct our business. For example, certain jurisdictions have implemented or are contemplating implementing laws which may negatively impact our automatic renewal structure or our free or discounted trial incentives. Further, compliance with laws, regulations, and other requirements imposed upon our business may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance and doing business.

Moreover, as Internet commerce continues to evolve, increasing regulation by U.S. federal and state agencies and other international regulators becomes more likely and may lead to more stringent consumer protection laws, which may impose additional burdens on us. The adoption of any laws or regulations that adversely affect the popularity or growth in use of the Internet, including laws limiting Internet neutrality, could decrease user demand for our services and increase our cost of doing business. Future regulations, or changes in laws and regulations or their existing interpretations or applications, also could hinder our operational flexibility, raise compliance costs, and result in additional historical or future liabilities for us, resulting in material adverse impacts on our business, operating results and financial condition.

We plan to expand into international markets in the 2022 fiscal year, which would subject us to risks associated with the legislative, judicial, accounting, regulatory, political and economic risks and conditions specific to such markets, which could adversely affect our business, financial condition and results of operations.

We intend to expand the international presence of our platform into various jurisdictions abroad by offering our platform directly to international users, as well as through joint ventures and partnerships. Accordingly, we expect to face additional risks in the case of our future international operations, including:

- political instability, adverse changes in diplomatic relations and unfavorable economic and business conditions in the markets in which we plan to have international operations or into which we may expand, particularly in the case of emerging markets;
- more restrictive or otherwise unfavorable government regulation of the live streaming entertainment industries, which could result in increased compliance costs and/or otherwise restrict the manner in which we provide services and the amount of related fees charged for such services;
- limitations on the enforcement of our intellectual property rights;
- limitations on the ability of our foreign subsidiaries to repatriate profits or otherwise remit earnings;
- adverse tax consequences due both to the complexity of operating across multiple tax regimes as well as changes in, or new interpretations of, international tax treaties and structures;
- expropriations of property and risks of renegotiation or modification of existing agreements with governmental authorities;
- diminished ability to legally enforce our contractual rights in foreign countries;
- limitations on technology infrastructure, which could limit our ability to migrate international operations to a common platform;
- lower levels of internet usage, credit card usage and consumer spending in comparison to those in the United States; and
- difficulties in managing operations and adapting to consumer desires due to distance, language and cultural differences, including issues associated with (i) business practices and customs that are common in certain foreign countries but might be prohibited by United States law and our internal policies and procedures, and (ii) management and operational systems and infrastructures, including internal financial control and reporting systems and functions, staffing and managing of foreign operations, which we might not be able to do effectively or cost-efficiently.

As we hope to expand into new markets these risks will be intensified and will have the potential to impact a greater percentage of our business and operating results. Our ability to expand our operations into new international jurisdictions will depend, in significant part, on our ability to identify potential acquisition candidates, joint venture or other partners, and enter into arrangements with these parties on favorable terms, as well as our ability to make continued investments to maintain and grow existing international operations. If the revenue generated by international operations is insufficient to offset expenses incurred in connection with the maintenance and growth of these operations, our business, financial condition and results of operations could be materially and adversely affected. In addition, in an effort to make international operations in one or more given jurisdictions profitable over the long term, significant additional investments that are not profitable over the short term could be required over a prolonged period.

In foreign countries in which we operate, a risk exists that our employees, contractors or agents could, in contravention of our policies, engage in business practices prohibited by applicable United States laws and regulations, such as the United States Foreign Corrupt Practices Act, as well as the laws and regulations of other countries prohibiting corrupt payments to government officials such as the United Kingdom Bribery Act 2010. We maintain policies prohibiting such business practices. Nevertheless, the risk remains that one or more of our employees, contractors or agents, including those based in or from countries where practices that violate such United States laws and regulations or the laws and regulations of other countries may be customary, as well as those associated with newly-acquired businesses, will engage in business practices that are prohibited by our policies, circumvent our compliance programs and, by doing so, violate such laws and regulations. Any such violations, even if prohibited by our internal policies, could result in fines, criminal sanctions against us and/or our employees, prohibitions on the conduct of our business and damage to our reputation, which could adversely affect our business, financial condition and results of operations.

Taxing authorities may successfully assert that we should have collected, or in the future should collect sales and use or similar taxes, and we could be subject to liability with respect to past or future tax, which could adversely affect our *business, financial condition and results of operations*.

In general, we have not historically collected state or local sales, use or other similar taxes in any jurisdictions in which we do not have a tax nexus, in reliance on court decisions or applicable exemptions that restrict or preclude the imposition of obligations to collect such taxes with respect to online sales of our products. In addition, we have not historically collected state or local sales, use or other similar taxes in certain jurisdictions in which we do have a physical presence, in reliance on applicable exemptions. On June 21, 2018, the U.S. Supreme Court decided, in South Dakota v. Wayfair, Inc., that state and local jurisdictions may, at least in certain circumstances, enforce a sales and use tax collection obligation on remote vendors that have no physical presence in such jurisdiction. A number of states have already begun, or have positioned themselves to begin, requiring sales and use tax collection by remote vendors and/or by online marketplaces. The details and effective dates of these collection requirements vary from state to state. We are in the process of determining how and when our collection practices will need to change in the relevant jurisdictions. It is possible that one or more jurisdictions may assert that we have liability for periods for which we have not collected sales, use or other similar taxes, and if such an assertion or assertions were successful it could result in substantial tax liabilities, including for past sales taxes and penalties and interest, which could materially adversely affect our business, financial condition and operating results.

Our success depends, in significant part, on discretionary consumer and corporate spending on entertainment and factors adversely affecting such spending could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on discretionary consumer and corporate spending. Many factors related to discretionary consumer and corporate spending, including economic conditions affecting disposable consumer income such as employment, interest and tax rates and inflation can significantly impact our operating results. Business conditions, as well as various industry conditions, including corporate marketing and promotional spending and interest levels, can also significantly impact our operating results. These factors can affect user subscription sales, advertising sales, sponsorship and e-commerce spending, as well as the financial results of sponsors of our venues, events, festivals and other Content Providers and the industry as a whole. Negative factors such as challenging economic conditions, public concerns over terrorism and security incidents, particularly when combined, can impact corporate and consumer spending, and one negative factor can impact our results more than another. There can be no assurance that consumer and corporate spending will not be adversely impacted by current economic conditions, or by any further or future deterioration in economic conditions, thereby possibly impacting our operating results and growth.

During past economic slowdowns and recessions, many consumers reduced their discretionary spending and advertisers reduced their advertising expenditures. In addition, a decline in attendance at or reduction in the number of live entertainment and leisure events may have an adverse effect on our revenue and operating income. The impact of economic slowdowns on our business is difficult to predict, but they may result in reductions in sponsorship, advertising, ticketing and e-commerce opportunities and our ability to generate revenue. The risks associated with our businesses may become more acute in periods of a slowing economy or recession, which may be accompanied by a decrease in attendance at live entertainment and leisure events.

We are subject to governmental regulation, which may change from to time, and our failure to comply with these regulations could adversely affect our business, financial condition and results of operations.

Our operations are subject to federal, state and local laws, statutes, rules, regulations, policies and procedures, both domestically and internationally, which may change from time to time. Our failure to comply with these laws and regulations could result in fines and proceedings against us by governmental agencies and consumers, which if material, could adversely affect our business, financial condition and results of operations. In addition, the promulgation of new laws, rules and regulations could restrict or unfavorably impact our business, which could decrease demand for services, reduce revenue, increase costs and subject us to additional liabilities. From time to time, federal, state and local authorities and consumers commence investigations, inquiries or litigation with respect to our compliance with applicable consumer protection, advertising, unfair business practice, antitrust (and similar or related laws) and other laws. We may be required to incur significant legal expenses in connection with the defense of future governmental investigations and litigation.

Changes in laws or regulations that adversely affect the growth, popularity or use of the Internet, including regulations or decisions by the FCC impacting net neutrality, could decrease the demand for our service and increase our cost of doing business. See "— Changes in how network operators handle and charge for access to data that travel across their networks could adversely impact our business" below. Certain laws intended to prevent network operators from discriminating against the legal traffic that traverse their networks have been implemented in many countries, including the United States and the EU. In others, the laws may be nascent or non-existent. Given uncertainty around these rules, including changing interpretations, amendments or repeal, coupled with potentially significant political and economic power of local network operators, we could experience discriminatory or anti-competitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect our business.

Risks Related to Our Company

For the years ended March 31, 2021 and 2020, our management concluded that our disclosure controls and procedures and our internal control over financial reporting were not effective due to the existence of material weaknesses in our internal control over financial reporting during such periods. If we are unable to establish and maintain effective disclosure controls and internal control over financial reporting, our ability to produce accurate financial statements on a timely basis or prevent fraud could be impaired, and the market price of our securities may be negatively affected.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the subsequent testing by our independent registered public accounting firm, if and when required, may reveal additional deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. For our fiscal years ended March 31, 2021 and 2020, our management conducted an assessment of our disclosure controls and procedures and our internal control over financial reporting and concluded that they were ineffective for each of such periods, due to the existence of certain material weaknesses in our internal control over financial reporting. See Item 9A. Controls and Procedures. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis.

In connection with the preparation of our consolidated financial statements for the year ended March 31, 2019, management identified material weaknesses in the following: (i) management's identification of and accounting for significant and unusual transactions; specifically over measurement period adjustments related to business combinations and the accounting for modifications of complex debt instruments, including review of valuation reports and key underlying assumptions; and (ii) revenue recognition and accounting for royalties, including the identification and testing of certain application controls within its information systems around the provisioning of accounts and tracking of related revenue and royalty expense, as well as the completeness and accuracy of key revenue and royalty reports used in the operation of certain control activities. In connection with the preparation of our consolidated financial statements for the year ended March 31, 2020, management identified a material weakness in the following: ineffective operation of financial reporting controls, specifically around the classification of current and noncurrent liabilities that resulted in a post year end adjustment.

For the steps we intend to take, including steps we undertook in fiscal year ended March 31, 2021 to remediate the fiscal year ended March 31, 2020 material weaknesses, see Item 9A. Controls and Procedures. We may need to expend significant financial resources to remediate these material weaknesses. Beyond fiscal year ended March 31, 2021, we may not be able to remediate any current or future material weaknesses.

If we are unable to establish and maintain proper and effective disclosure controls and procedures and internal control over financial reporting, we may not be able to produce timely and accurate financial statements.

If in the future we identify new material weaknesses in our internal control over financial reporting, including at some of our acquired companies, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if and when applicable, our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are then listed, the SEC, or other regulatory authorities, which could require additional financial and management resources. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

Additionally, we currently utilize an outsourced internal audit group, and we may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to maintain effective internal controls for financial reporting.

We will continue to incur significant increased costs as a result of operating as a public company.

As a public company, we will continue to incur significant legal, accounting and other expenses. Following the Public Offering, we will be subject to mandatory reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which require, among other things, that we continue to file with the SEC annual, quarterly and current reports with respect to our business and financial condition, that we were not required to file as a voluntary reporting company (though we did file such reports with the SEC on a voluntary basis). We have incurred and will continue to incur costs associated with the preparation and filing of these SEC reports. Furthermore, we are subject to additional corporate governance and other compliance requirements as a result of our shares of common stock being listed on The Nasdaq Capital Market ("Nasdaq"). In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act and Nasdaq have imposed various other requirements on public companies. Stockholder activism, the current political environment and the current high level of government intervention and regulatory reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact (in ways we cannot currently anticipate) the manner in which we operate our business. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have and will continue to increase our legal and financial compliance costs and will make some activities more time-consuming and costly. For example, we will incur additional expense to increase our director and officer liability insurance.

We are required to furnish a report on internal control over financial reporting issued by management. Such report is provided as part of the consolidated financial statements included in this Annual Report. In addition, if and when we cease to be a smaller reporting company and become subject to Section 404(b) of the Sarbanes-Oxley Act, we will be required to furnish an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To remain in compliance with Section 404, we will continue to be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to dedicate substantially greater internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that our independent registered public accounting firm, when required, will not be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

We may not be entitled to forgiveness of the Paycheck Protection Program (the "PPP") loans that some of our subsidiaries have obtained, and our and our subsidiaries' applications for the PPP loans could in the future be determined to have been impermissible or could result in damage to our reputation.

In April, 2020, we received proceeds of less than $2.0 million from a loan under the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was subsequently forgiven in April 2021. On March 20, 2021, we received proceeds of $0.6 million from a second loan ("the PPP loan") under the PPP of the CARES Act, which we intend to use to retain employees and for other qualifying expenses. The PPP Loan matures on March 20, 2026 and bears annual interest at a rate of 1.0%. Commencing on March 31, 2022, we are required to pay the lender equal monthly payments of principal and interest as required to fully amortize by March 20, 2026 any principal amount outstanding on the PPP Loan as of such date. A portion of the PPP Loan may be forgiven by the Small Business Administration (the "SBA") upon our application beginning 60 days but not later than 120 days after loan approval and upon documentation of expenditures in accordance with the SBA requirements. Under the CARES Act, loan forgiveness is available for the sum of documented payroll costs, covered rent payments, covered mortgage interest and covered utilities during the eight-week period beginning on the date of loan approval, which eight-week forgiveness period was extended to be the earlier of 24 weeks after funding or December 31, 2021 under the PPP Flexibility Act of 2020 (the "PPPFA"). Borrowers who received their loan prior to the date of enactment of this bill may elect to use 8 weeks as their covered period for forgiveness. Not more than 40% of the forgiven amount may be for non-payroll costs as adjusted by the PPPFA. The amount of the PPP Loan eligible to be forgiven is reduced if our full-time headcount declines or if salaries and wages for employees with salaries of $100,000 or less annually are reduced by more than 25%. In addition, certain of the subsidiaries also obtained loan under the PPP. We will be required to repay any portion of the outstanding principal that is not forgiven, along with accrued interest, in accordance with the amortization schedule described above, and we cannot provide any assurance that we will be eligible for loan forgiveness or that any amount of the PPP Loans will ultimately be forgiven by the SBA.

In order to apply for the PPP Loan, we were required to certify, among other things, that the current economic uncertainty made the PPP Loan request necessary to support our ongoing operations. We made this certification in good faith after analyzing, among other things, our financial situation and access to alternative forms of capital, and believe that we satisfied all eligibility criteria for the PPP Loan, and that our receipt of the PPP Loan is consistent with the broad objectives of the PPP of the CARES Act. The certification described above did not contain any objective criteria and is subject to interpretation. However, on April 23, 2020, and subsequently revised on March 3, 2021, the SBA issued guidance stating that it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith and such a company should be prepared to demonstrate to the SBA, upon request, the basis for its certification. The lack of clarity regarding loan eligibility under the PPP has resulted in significant media coverage and controversy with respect to public companies applying for and receiving loans. If, despite our good-faith belief that we satisfied all eligible requirements for the PPP Loan, we or any company that we may acquire in the future which received a loan under the PPP, are later determined to have violated any of the laws or governmental regulations that apply to us or such acquiree in connection with the PPP Loan or another loan under the PPP, respectively, such as the False Claims Act, or it is otherwise determined that we or such acquiree were ineligible to receive the PPP Loan or such other loan under the PPP, respectively, we or such acquiree may be subject to penalties, including significant civil, criminal and administrative penalties, and could be required to repay the PPP Loan or such other loan under the PPP, respectively, in its entirety. In addition, our receipt of the PPP Loan or any company that we may acquire in the future which received a loan under the PPP may result in adverse publicity and damage to our reputation, and a review or audit by the SBA or other government entity or claims under the False Claims Act could consume significant financial and management resources.

We heavily depend on relationships with our Content Providers and other Industry Stakeholders and adverse changes in these relationships, could adversely affect our business, financial condition and results of operations.

Our business is particularly dependent upon personal relationships, as executives within entertainment companies such as ours leverage their network of relationships with Content Providers and other Industry Stakeholders to secure the rights to their content and develop other partnerships that are critical to our success. Due to the importance of those industry contacts, the loss of any of these relationships, and adverse changes in these relationships could adversely affect our business, financial condition and results of operations. We can give no assurance that all or any of these Content Providers or other Industry Stakeholders will retain their associations with us or our executives, directors, employees or other individual service providers. Additionally, to the extent the decision makers of our music partners are replaced with individuals with whom our executives, directors or other key personnel do not have relationships, our competitive position and financial condition could be harmed.

We rely on key members of management, particularly our Chairman and Chief Executive Officer, Mr. Robert Ellin, and the loss of their services or investor confidence in them could adversely affect our success, development and financial condition.

Our success depends, to a large degree, upon certain key members of our management, particularly our Chairman and Chief Executive Officer, Robert Ellin. Mr. Ellin has extensive knowledge about our business and our operations, and the loss of Mr. Ellin or any other key member of our senior management (including senior management of Slacker) would likely have a material adverse effect on our business and operations. We do not currently maintain a key-person insurance policy for Mr. Ellin or any other member of our management. Our executive team's expertise and experience in acquiring, integrating and growing businesses, particularly those focused on live music and events, have been and will continue to be a significant factor in our growth and ability to execute our business strategy. The loss of any of our executive officers could slow the growth of our business or have a material adverse effect on our business, results of operations and financial condition.

Unfavorable outcomes in legal proceedings may adversely affect our business, financial conditions and results of operations.

Our results may be affected by the outcome of future litigation. Unfavorable rulings in our legal proceedings may have a negative impact on us that may be greater or smaller depending on the nature of the rulings. In addition, from time to time in the future we may be subject to various claims, investigations, legal and administrative cases and proceedings (whether civil or criminal) or lawsuits by governmental agencies or private parties, including as described in the immediately preceding risk factor. For example, see "Item 3. Legal Proceedings" regarding our ongoing litigation with Wantickets' principal. If the results of these investigations, proceedings or suits are unfavorable to us or if we are unable to successfully defend against third party lawsuits, we may be required to pay monetary damages or may be subject to fines, penalties, injunctions or other censure that could have a material adverse effect on our business, financial condition and results of operations. Even if we adequately address the issues raised by an investigation or proceeding or successfully defend a third-party lawsuit or counterclaim, we may have to devote significant financial and management resources to address these issues, which could harm our business, financial condition and results of operations.

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

We have a significant amount of indebtedness. Our total outstanding consolidated indebtedness as of March 31, 2021 was $24.1 million net of fees and including any premiums or discounts. While we have certain restrictions and covenants with our current indebtedness, we could in the future incur additional indebtedness beyond such amount. Our existing debt agreements with the holders of the Subordinated Notes contain certain restrictive covenants that limit our ability to merge with other companies or consummate certain changes of control, make certain investments, pay dividends or repurchase shares of our common stock, transfer or dispose of assets, or enter into various specified transactions. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the holders of the Subordinated Notes or terminate our existing debt agreements. Our debt agreements also contain certain financial covenants, including maintaining a minimum cash amount at all times and achieving certain financial covenants and are secured by substantially all of our assets. There is no guarantee that we will be able to generate sufficient cash flow or sales to meet the financial covenants or pay the principal and interest under our debt agreements or to satisfy all of the financial covenants. We may also incur significant additional indebtedness in the future.

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

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

We intend to satisfy our current and future debt service obligations with our existing cash and cash equivalents and funds from external sources, including equity and/or debt financing. However, we may not have sufficient funds or may be unable to arrange for additional financing to pay the amounts due under our existing debt. Funds from external sources may not be available on acceptable terms, if at all. In the event of an acceleration of amounts due under our debt instruments as a result of an event of default, including upon the occurrence of an event that would reasonably be expected to have a material adverse effect on our business, operations, properties, assets or condition or a failure to pay any amount due, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness or to make any accelerated payments.

We may not have the ability to repay the amounts then due under the Subordinated Notes and/or convertible notes at maturity.

At maturity, the entire outstanding principal amount of the Subordinated Notes and convertible notes will become due and payable by us. As of March 31, 2021, $4.7 million of our total indebtedness (excluding interest and unamortized debt discount and debt issuance costs) is due in fiscal 2022, $19.9 million is due in fiscal 2023 and $0.6 million thereafter.

Our failure to repay any outstanding amount of the Subordinated Notes or convertible notes would constitute a default under such indentures. A default would increase the interest rate to the default rate under the Subordinated or the maximum rate permitted by applicable law until such amount is paid in full. A default under the Subordinated Notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the Subordinated Notes or convertible notes or make cash payments thereon. Furthermore, upon the occurrence and during the continuation of any event of default, the agent, for the benefit of the holders of the Subordinated Notes, shall have the right to, among other things, take possession of our and our subsidiaries’ assets and property constituting the collateral thereunder and the right to assign, sell, lease or otherwise dispose of all or any part of the collateral. We do not have the right to prepay the Subordinated Notes prior to their maturity.

If we do not comply with the provisions of the Subordinated Notes, our lenders may terminate their obligations to us and require us to repay all outstanding amounts owed thereunder.

The Subordinated Notes contain provisions that limit our operating and financing activities, including covenants relating to a requirement to maintain a certain amount of Free Cash (as defined in the Subordinated Notes). If an event of default occurs and is continuing, the lenders may among other things, terminate their obligations thereunder and require us to repay all amounts thereunder. As of March 31, 2021, we were in full compliance with these covenants.

We may incur substantially more debt or take other actions that would intensify the risks discussed above.

In addition to our current outstanding debt and notes, we and our subsidiaries may incur substantial additional debt, subject to restrictions contained in our existing and future debt instruments, some or all of which may be secured debt. In August 2020, we repaid in full our senior secured convertible debentures, and in September 2020 we issued 8.5% Senior Secured Convertible Notes in the aggregate principal amount of $15.0 million due September 15, 2022 (the "Subordinated Notes"). In June 2021, we entered into a revolving senior credit facility, collateralized by all of the assets of our Company and our subsidiaries, that provides for up to $7.0 million in borrowing capacity, and the holders of the Subordinated Notes agreed to subordinate their debt to the senior credit facility lender. Refer to *Item 8. Financial Statements, Note 21 – Subsequent Events*, for further information. The Subordinated Notes and the senior credit facility contain certain restrictive covenants that limit our ability to merge with other companies or consummate certain changes of control, make certain investments, pay dividends or repurchase shares of our common stock, transfer or dispose of assets or enter into various specified transactions. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate our existing debt agreements. The Subordinated Notes and the senior credit facility also contain certain covenants, including maintaining a minimum free cash amount at all times and are secured by substantially all of our and our subsidiaries' assets.

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

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt and/or obtaining additional equity capital on terms that may be onerous or highly dilutive. In the event of an acceleration of amounts due under our debt instruments as a result of an event of default, including upon the occurrence of an event that would reasonably be expected to have a material adverse effect on our business, operations, properties, assets or condition or a failure to pay any amount due, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness or to make any accelerated payments. There is no guarantee that we will be able to generate sufficient cash flow or sales to meet the financial covenants or pay the principal and interest under our debt agreements or to satisfy all of the financial covenants. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. Capital markets have been volatile in the recent past; a downturn could negatively impact our ability to access capital should the need arise. As a result, the inability to meet our debt obligations could cause us to default on those obligations. Any such defaults could materially harm our financial condition and liquidity.

The conditional conversion feature of our convertible notes or the Subordinated Notes, if triggered, may adversely affect our financial condition and operating results, particularly our earnings per share.

In the event the conditional conversion feature of the Subordinated Notes or convertible notes is triggered, holders, as applicable, will be entitled to convert at any time during specified periods at their option. In addition, even if holders do not elect to convert the Subordinated Notes or convertible notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Subordinated Notes as a current rather than long-term liability, which may result in a material reduction of our net working capital and potential impact on our going concern status. Any conversion of the Subordinated Notes and/or convertible notes in shares of our common stock may cause dilution to our earnings per share.

Our quarterly operating results may be volatile and are difficult to predict in the future, and our stock price may decline if we fail to meet the expectations of securities analysts or investors.

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

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

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

We may not be able to attract qualified personnel.

Our ability to expand operations to accommodate our anticipated growth will depend on our ability to attract and retain qualified personnel. However, competition for the types of employees we seek is intense. We face particular challenges in recruiting and retaining personnel who have experience in software engineering, mobile application development and other technical expertise, particularly those focused on live music and events, which is critical to our initiatives. Our ability to meet our business development objectives will depend in part on our ability to recruit, train and retain top quality personnel with advanced skills who understand our technology and business. We cannot provide any assurance that we will be able to attract qualified personnel to execute our business strategies or develop and expand our online properties. If we are unable to engage and retain the necessary personnel, our business may be materially and adversely affected.

Additionally, we expect to retain the existing managers and executives of certain companies we acquire to have them continue managing and operating the acquired business. We believe that these individuals will have the market expertise and network of personal relationships to best implement the growth strategies of the acquired businesses. If we are unable to retain the key personnel of the acquired businesses, we may not be able to achieve the anticipated benefits and synergies of an acquisition.

We engage a number of consultants to work for us. If the consultants that we utilize are characterized as employees and if we are deemed to be delinquent in our payroll taxes or incur other employment-related liabilities with respect to those consultants, we and our management team could incur significant liabilities.

We engage a number of consultants to work for us in various aspects of our business. Although we believe that the consultants that we utilize in our business, as is customary to do so in our business, are properly characterized as independent contractors, tax or other regulatory authorities may in the future challenge our characterization of independent contractors. We are aware of a number of judicial decisions and legislative proposals that could bring about major reforms in worker classification, including the California legislature's recent passage of California Assembly Bill 5 ("AB 5"). AB 5 purports to codify a new test for determining worker classification that is widely viewed as expanding the scope of employee relationships and narrowing the scope of independent contractor relationships. Given AB 5's recent passage, there is no guidance from the regulatory authorities charged with its enforcement, and there is a significant degree of uncertainty regarding its application. In addition, AB 5 has been the subject of widespread national discussion and it is possible that other jurisdictions, including New York, may enact similar laws. If such regulatory authorities or state, federal or foreign courts were to determine that our recording artists and songwriters are employees, and not independent contractors, we would be required to withhold income taxes, to withhold and pay Social Security, Medicare and similar taxes and to pay unemployment and other related payroll taxes. We would also be liable for unpaid past taxes and subject to penalties. As a result, any determination that our consultants are our employees could have a material adverse effect on our business, financial condition and results of operations. In addition to the taxes that we would be required to pay if we were required to remit payroll taxes for our consultants, and the payments that we would be required to make for other employment-related obligations, our operations would be severely disrupted and individual officers or members of our board of directors could be personally liable for certain of any assessments made. A government entity could potentially shut down our operations until such time as the payroll taxes were brought current. Such a shutdown could effectively push us into bankruptcy and an investor could lose all his or her investment in us.

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

To secure the rights to stream content, we enter into license agreements to obtain licenses from rights holders such as record labels, aggregators, artists, music publishers, performing rights organizations, collecting societies, podcasters and podcast networks, and other copyright owners or their agents, and pay royalties or other consideration to such parties or their agents around the world. We cannot guarantee that our efforts to obtain all necessary licenses to stream content will be successful, nor that the licenses available to us now will continue to be available in the future at rates and on terms that are favorable or commercially reasonable or at all. The terms of these licenses, including the royalty rates that we are required to pay pursuant to them, may change as a result of changes in its bargaining power, the industry, laws and regulations, or for other reasons. Increases in royalty rates or changes to other terms of these licenses may materially impact our business, operating results, and financial condition.

We enter into license agreements to obtain rights to stream sound recordings, including from the major record labels who hold the rights to stream a significant number of sound recordings, such as Universal Music Group, Sony Music Entertainment, and Warner Music Group, as well as others. If we fail to obtain these licenses, the size and quality of its catalog may be materially impacted and its business, operating results and financial condition could be materially harmed.

We generally obtain licenses for two types of rights with respect to musical compositions: mechanical rights and public performance rights. With respect to mechanical rights, for example, in the United States, the rates we pay are, to a significant degree, a function of a ratemaking proceeding conducted by an administrative agency called the Copyright Royalty Board. The rates that the Copyright Royalty Board set apply both to compositions that we license under the compulsory license in Section 115 of the Copyright Act of 1976 (the "Copyright Act"), and to a number of direct licenses that we have with music publishers for U.S. rights, in which the applicable rate is generally pegged to the statutory rate set by the Copyright Royalty Board. The rates set by the Copyright Royalty Board are also subject to further change as part of any future Copyright Royalty Board proceedings. If any such rate change increases Slacker's content acquisition costs and impacts its ability to obtain content on pricing terms favorable to us, it could negatively harm our business, operating results and financial condition and hinder its ability to provide interactive features in its services, or cause one or more of our services not to be economically viable.

In the United States, public performance rights are generally obtained through intermediaries known as performing rights organizations ("PROs"), which negotiate blanket licenses with copyright users for the public performance of compositions in their repertory, collect royalties under such licenses, and distribute those royalties to copyright owners. The royalty rates available to Slacker today may not be available to it in the future. Licenses provided by two of these PROs, the American Society of Composers, Authors and Publishers ("ASCAP") and Broadcast Music, Inc. ("BMI"), cover the majority of the music we stream and are governed by consent decrees relating to decades old litigations. In 2019, the U.S. Department of Justice indicated that it was formally reviewing the relevance and need of these consent decrees. Changes to the terms of or interpretation of these consent decrees up to and including the dissolution of the consent decrees, could affect our ability to obtain licenses from these PROs on reasonable terms, which could harm its business, operating results, and financial condition. In addition, an increase in the number of compositions that must be licensed from PROs that are not subject to the consent decrees, or from copyright owners that have withdrawn public performance rights from the PROs, could likewise impede Slacker's ability to license public performance rights on favorable terms. As of March 31, 2021, we owed $0.7 million in aggregate royalty payments to such PROs.

In other parts of the world, including Europe, Asia, and Latin America, we obtain mechanical and performance licenses for musical compositions either through local collecting societies representing publishers or from publishers directly, or a combination thereof. We cannot guarantee that our licenses with collecting societies and its direct licenses with publishers provide full coverage for all of the musical compositions we make available to our users in such countries. In Asia and Latin America, we are seeing a trend of movement away from blanket licenses from copyright collectives, which is leading to a fragmented copyright licensing landscape. Publishers, songwriters, and other rights holders choosing not to be represented by collecting societies could adversely impact our ability to secure favorable licensing arrangements in connection with musical compositions that such rights holders own or control, including increasing the costs of licensing such musical compositions, or subjecting us to significant liability for copyright infringement.

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

There is also no guarantee that we have all of the licenses it needs to stream content, as the process of obtaining such licenses involves many rights holders, some of whom are unknown, and myriad complex legal issues across many jurisdictions, including open questions of law as to when and whether particular licenses are needed. Additionally, there is a risk that rights holders, creators, performers, writers and their agents, or societies, unions, guilds, or legislative or regulatory bodies will create or attempt to create new rights or regulations that could require Slacker to enter into license agreements with, and pay royalties to, newly defined groups of rights holders, some of which may be difficult or impossible to identify.

Even when we are able to enter into license agreements with rights holders, it cannot guarantee that such agreements will continue to be renewed indefinitely. For example, from time to time, our license agreements with certain rights holders and/or their agents expire while we negotiate their renewals and, per industry custom and practice, we may enter into brief (for example, month-, week-, or even days-long) extensions of those agreements or provisional licenses and/or continue to operate on an at will basis as if the license agreement had been extended, including by our continuing to make content available. During these periods, we may not have assurance of long-term access to such rights holders' content, which could have a material adverse effect on its business and could lead to potential copyright infringement claims.

It is also possible that such agreements will never be renewed at all. The lack of renewal, or termination, of one or more of our license agreements, or the renewal of a license agreement on less favorable terms, could have a material adverse effect on its business, financial condition, and results of operations.

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

For the year ended March 31, 2021, we generated $20.8 million of our revenues from podcasting and advertising services and $5.2 million of our revenues from e-commerce merchandise sales, representing 32% and 8%, respectively, of our total revenues for the same period. Our financial results could be adversely affected if we fail to maintain or grow our podcasting and advertising and e-commerce merchandise revenue in the future. In addition, if we fail to collect our receivable balance from our key customers in our podcasting and advertising and e-commerce merchandise businesses, our financial results may be adversely affected.

Slacker has no control over the providers of its content, and its business may be adversely affected if its access to music is limited or delayed. The concentration of control of content by Slacker's major providers means that even one entity, or a small number of entities working together, may unilaterally affect Slacker's access to music and other content.

Slacker relies on music rights holders, over whom it has no control, for the content it makes available on its service. Slacker cannot guarantee that these parties will always choose to license to it.

The music industry has a high level of concentration, which means that one or a small number of entities may, on their own, take actions that adversely affect Slacker's business. Slacker's business may be adversely affected if its access to music is limited or delayed because of deterioration in its relationships with one or more of these rights holders or if they choose not to license to Slacker for any other reason. Rightsholders also may attempt to take advantage of their market power to seek onerous financial terms from Slacker, which could have a material adverse effect on its financial condition and results of operations.

Even if Slacker is able to secure rights to sound recordings from record labels and other copyright owners, artists and/or artist groups may object and may exert public or private pressure on third parties to discontinue licensing rights to Slacker, hold back content from it or increase royalty rates. As a result, Slacker's ability to continue to license rights to sound recordings is subject to convincing a broad range of stakeholders of the value and quality of Slacker's services.

To the extent that Slacker is unable to license a large amount of content or the content of certain popular artists, its business, operating results and financial condition could be materially harmed.

Difficulties in obtaining accurate and comprehensive information necessary to identify the compositions embodied in sound recordings on Slacker's services and the ownership thereof may impact Slacker's ability to perform its obligations under its licenses, affect the size of its catalog, impact its ability to control content acquisition costs, and lead to potential copyright infringement claims.

Comprehensive and accurate ownership information for the musical compositions embodied in sound recordings is often unavailable to Slacker or difficult or, in some cases, impossible for Slacker to obtain, sometimes because it is withheld by the owners or administrators of such rights. Slacker currently relies on the assistance of third parties to determine this information. If the information provided to Slacker or obtained by such third parties does not comprehensively or accurately identify the ownership of musical compositions, or if Slacker is unable to determine which musical compositions correspond to specific sound recordings, it may be difficult or impossible to identify the appropriate rights holders to whom to pay royalties. This may make it difficult to comply with the obligations of any agreements with those rights holders.

In the United States, Slacker also relies on the assistance of third parties to issue notices of intent ("NOIs") to obtain a compulsory license under Section 115 of the Copyright Act to those copyright owners with whom we do not have a direct license agreement or, in the case of unknown copyright owners, to the United States Copyright Office. The lack of comprehensive and accurate ownership information or the inability to determine which musical compositions correspond to specific sound recordings can cause difficulties in issuing NOIs to the correct parties (including the United States Copyright Office) or serving NOIs in a timely manner and can otherwise cause difficulties in obtaining licenses. This could lead to a reduction of sound recordings available to be streamed on Slacker's services, adversely impacting its ability to retain and expand its user base, and could make it difficult to ensure that Slacker is fully licensed.

These challenges, and others concerning the licensing of musical compositions embodied in sound recordings on Slacker's services, may subject Slacker to significant liability for copyright infringement, breach of contract or other claims.

Risks Related to Our Acquisition Strategy

Each of our announced acquisitions of Modern Drummer and Gramophone Media is subject to closing conditions, as well as other uncertainties, and there can be no assurances as to whether or when they may be completed. Failure to complete the proposed acquisitions could adversely affect our business.

The completion of each of our proposed acquisitions of Modern Drummer and Gramophone Media is subject to a number of closing conditions, which make the completion and timing of the completion of the proposed transactions uncertain. If a proposed acquisition of Modern Drummer and/or Gramophone Media is not completed, our business may be adversely affected and, without realizing any of the benefits of having completed the proposed acquisition, we will be subject to a number of risks, including the following:

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

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

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

We intend to continue to build our business through strategic acquisitions, such as the recently completed CPS acquisition and pursue and consummate one or more additional acquisitions and to possibly use our remaining cash to fund any cash portion of the consideration we will pay in connection with those acquisitions. However, such additional acquisitions, may be subject to conditions and other impediments to closing, including some that are beyond our control, and we may not be able to close any of them successfully. In addition, our future acquisitions will be required to be closed within certain timeframes as negotiated between us and the acquisition target, and if we are unable to meet the closing deadlines for a given transaction, we may be required to forfeit payments we have made, if any, be forced to renegotiate the transaction on less advantageous terms and could fail to consummate the transaction at all.

If we are unable to close any future acquisition, it could significantly alter our business strategy and impede our prospects for growth. If we are unable to successfully consummate a particular acquisition, we may not be able to stream desired live music content on our network, produce and/or participate in the planned festivals or events or have ownership or licenses of the brands owned or licensed by that acquisition target. Further, we may not be able to identify suitable acquisition candidates to replace these acquisitions, and even if we were to do so, we may only be able to consummate them on less advantageous terms. In addition, some of the businesses we acquire may incur significant losses from operations, which, in turn, could have a material and adverse impact on our business, results of operations and financial condition.

As shown by our acquisitions of Slacker, PodcastOne and CPS, acquisitions have been and will continue to be an important component of our growth strategy; however, we will need to integrate these acquired businesses successfully in order for our growth strategy to succeed and for us to become profitable. We expect that the management teams of the acquired businesses will adopt our policies, procedures and best practices, and cooperate with each other in scheduling events, booking talent and in other aspects of their operations. We may face difficulty in integrating the operations of any businesses we may acquire in the future, such as coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures, the diversion of management's attention from other business concerns, the inherent risks in entering markets or lines of business in which we have either limited or no direct experience; and the potential loss of key employees, individual service providers, customers and strategic partners of acquired companies.

In addition, our growth strategy also includes further development of our online live streamed music network that we intend to integrate across all of our acquired businesses. This will require, among other things, the integration of the individual websites and databases of each business we currently operate or will acquire in the future. This will be a complex undertaking that may prove more difficult, expensive and time consuming than we currently expect. Even if we are able to achieve this integration, it may not achieve the benefits we anticipate. If we fail to do this properly and in a timely manner, it could harm our revenue and relationship with our fans.

Further, we expect that future target companies may have material weaknesses in internal controls relating to the proper application of accrual-based accounting under the accounting principles generally accepted in the United States of America ("GAAP") prior to our acquiring them. The Public Company Accounting Oversight Board (the "PCAOB") defines a material weakness as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis. We will be relying on the proper implementation of our policies and procedures to remedy any such material weaknesses, and prevent any potential material misstatements in our financial reporting. Any such misstatement could adversely affect the trading price of our common stock, cause investors to lose confidence in our reported financial information, and subject us to civil and criminal fines and penalties. If our acquired companies fail to integrate in these important ways, or we fail to adequately understand the business operations of our acquired companies, our growth and financial results could suffer.

A number of other companies are seeking to make acquisitions in our industry, which may make our acquisition strategy more difficult or expensive to pursue.

The emergence and growth of live streamed music, music events, festivals and concerts has brought increased media attention, and a number of companies and investors have begun making acquisitions of such businesses or announced their intention to do so. We compete with many of these companies, and certain of them have greater financial resources than we do for pursuing and consummating acquisitions and to further develop and integrate acquired businesses. Our strategy relies on our ability to consummate important future acquisitions to foster the growth of our core business and to establish ourselves as the key provider of streamed high-quality live music content. The increased focus on acquisitions of such companies may impede our ability to acquire these companies because they choose another acquirer. It could also increase the price that we must pay for these companies. Either of these outcomes could reduce our growth, harm our business and prevent us from achieving our strategic goals.

We may enter into acquisitions and take actions in connection with such transactions that could adversely affect our business and results of operations.

Our future growth rate depends in part on our selective acquisition of additional businesses and assets. We may be unable to identify suitable targets for acquisition or make further acquisitions at favorable prices. If we identify a suitable acquisition candidate, our ability to successfully complete the acquisition would depend on a variety of factors, and may include our ability to obtain financing on acceptable terms and requisite government approvals. In addition, any credit agreements or credit facilities that we may enter into in the future may restrict our ability to make certain acquisitions. In connection with future acquisitions, we could take certain actions that could adversely affect our business, including:

- using a significant portion of our available cash;
- issuing equity securities, which would dilute current stockholders' percentage ownership;
- incurring substantial debt;
- incurring or assuming contingent liabilities, known or unknown;
- incurring amortization expenses related to intangibles; and
- incurring large accounting write-offs or impairments.

We may also enter into joint ventures, which involve certain unique risks, including, among others, risks relating to the lack of full control of the joint venture, potential disagreements with our joint venture partners about how to manage the joint venture, conflicting interests of the joint venture, requirement to fund the joint venture and its business not being profitable.

In addition, we cannot be certain that the due diligence investigation that we conduct with respect to any investment or acquisition opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. For example, instances of fraud, accounting irregularities and other deceptive practices can be difficult to detect. Executive officers, directors and employees may be named as defendants in litigation involving a company we are acquiring or have acquired. Even if we conduct extensive due diligence on a particular investment or acquisition, we may fail to uncover all material issues relating to such investment, including regarding the controls and procedures of a particular target or the full scope of its contractual arrangements. We rely on our due diligence to identify potential liabilities in the businesses we acquire, including such things as potential or actual lawsuits, contractual obligations or liabilities imposed by government regulation. However, our due diligence process may not uncover these liabilities, and where we identify a potential liability, we may incorrectly believe that we can consummate the acquisition without subjecting ourselves to that liability. Therefore, it is possible that we could be subject to litigation in respect of these acquired businesses. For example, see "Item 3. Legal Proceedings" regarding our ongoing litigation with Wantickets and its principal. If our due diligence fails to identify issues specific to an investment or acquisition, we may obtain a lower return from that transaction than the investment would return or otherwise subject ourselves to unexpected liabilities. We may also be forced to write-down or write-off assets, restructure our operations or incur impairment or other charges that could result in our reporting losses. Charges of this nature could contribute to negative market perceptions about us or our shares of common stock.

Risks Related to Technology and Intellectual Property

We rely heavily on technology to stream content and manage other aspects of our operations, and the failure of this technology to operate effectively could adversely affect our business.

We utilize a combination of proprietary and third-party technology. Our business substantially depends on our Slacker Radio app, which offers a digital spin on the classic radio listening experience through free and subscription-based access. Our business is also substantially dependent on our LXL App, which includes live video streaming, live digital events, PPV events, VOD, push notifications, festival-, venue- and original content-specific functionality, Google Ads capability, digital rights management (e.g., geo-blocking), and the capability to display time-shifted content and enhanced function, and our PodcastOne App which offers users access to our podcasts on their favorite device. We cannot be sure that the Slacker Radio app will continue to, or that the LXL App and/or the PodcastOne App or any enhancements or other modifications we make in the future to such apps will, perform as intended or otherwise be of value to our users. Future enhancements and modifications to our technology could consume considerable resources. If we are unable to successfully develop, maintain and enhance our technology to manage the streaming of live events in a timely and efficient manner, our ability to attract and retain users may be impaired. In addition, if our technology or that of third parties we utilize in our operations fails or otherwise operates improperly, our ability to attract and retain users may be impaired. Also, any harm to our users' personal computers or mobile devices caused by software used in our operations could have an adverse effect on our business, results of operations and financial condition.

We may be unable to adequately protect our intellectual property rights.

We may be unable to detect unauthorized use of, or otherwise sufficiently protect, our intellectual property rights. We rely on a combination of laws and contractual restrictions with employees, individual service providers, users, artists, suppliers and others content licensors and Content Providers to establish and protect these proprietary rights. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use proprietary information, trademarks, or copyrighted material without authorization which, if discovered, might require legal action to correct. Furthermore, our recently acquired assets and the assets we may acquire in connection with any future acquisitions (including brand names and trademark rights), may have been improperly adopted or inadequately protected prior to our acquisitions of them. This could include failures to obtain assignments of ownership or confidentiality agreements from third parties, failures to clear use of trademarks, or other failures to protect trademarks and other proprietary rights. In addition, third parties may independently and lawfully develop similar intellectual property or duplicate our services.

We will apply to register, or secure by contract when appropriate, our trademarks and service marks as they are developed and used and reserve and register domain names as we deem appropriate. While we intend to vigorously protect our trademarks, service marks and domain names as we deem appropriate, effective trademark protection may not be available or may not be sought in every country in which we operate, and contractual disputes may affect the use of marks governed by private contract. Similarly, not every variation of a domain name may be available or be registered, even if available. Our failure to protect our intellectual property rights in a meaningful manner or challenges to related contractual rights could result in the erosion of brand names or the loss of rights to our owned or licensed marks and limit our ability to control marketing on or through the Internet using our various domain names or otherwise, which could adversely affect our business, financial condition, and results of operations. In addition, the loss of, or inability to otherwise obtain, rights to use third party trademarks and service marks, including the loss of exclusive rights to use third party trademarks in territories where we present festivals, could adversely affect our business or otherwise result in competitive harm. Moreover, on September 23, 2017, we entered into a Co-Existence Agreement with Monday Sessions Media, Inc. D/B/A Live X ("Live X"), in which we consented to Live X's use and registration of the name and mark Live X and agreed to not challenge, dispute or contest Live X's rights in such mark. Pursuant to this agreement, we agreed to not offer certain production services to third party businesses in connection with our mark LiveXLive and use commercially reasonable efforts to afford Live X opportunities to bid on production or streaming service opportunities.

We currently own the www.livexlive.com, www.slacker.com, www.podcastone.com, www.personalizedplanet.com, www.limogesjewelry.com, and various other domain names. Internet regulatory bodies generally regulate domain names. If we lose the ability to use a domain name in a particular country, we would be forced either to incur significant additional expenses to market our services within that country or, in extreme cases, to elect not to offer our services in that country. Either result could harm our business, operating results, and financial condition. The regulation of domain names in the United States and in foreign countries is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize our brand names in the United States or other countries in which we may conduct business in the future.

Litigation or proceedings before governmental authorities and administrative bodies may be necessary in the future to enforce our intellectual property rights, to protect our patent rights, trademarks, trade secrets, and domain names and to determine the validity and scope of the proprietary rights of others. Our efforts to enforce or protect our proprietary rights may be ineffective and could result in substantial costs and diversion of resources and management time, each of which could substantially harm our operating results. Additionally, changes in law may be implemented, or changes in interpretation of such laws may occur, that may affect our ability to protect and enforce our patents and other intellectual property.

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

From time to time, we have been and may be in the future subject to legal proceedings and claims in the ordinary course of business, including claims of alleged infringement and other violations of the trademarks, copyrights, patents and other intellectual property or proprietary rights of third parties. The legal proceedings and claims include notices provided to us by content owners of users' violation of the Digital Millennium Copyright Act, which obligate us to investigate and remove infringing user content from our website.

Music contained within content we distribute may require us to obtain licenses for such distribution. In this regard, we will engage with collection management organizations ("CMOs") that hold certain rights to music interests in connection with streaming content into various territories. If we are unable to reach mutually acceptable terms with these organizations, we could become involved in litigation and/or could be enjoined from distributing certain content, which could adversely impact our business. Additionally, pending and ongoing litigation as well as negotiations between certain CMOs and other third parties in various territories could adversely impact our negotiations with CMOs, or result in music publishers represented by certain CMOs unilaterally withdrawing rights, and thereby adversely impact our ability to reach licensing agreements reasonably acceptable to us. Failure to reach such licensing agreements could expose us to potential liability for copyright infringement or otherwise increase our costs.

We also face a risk that content licensors may bring claims for copyright infringement or breach of contract if our users exceed the scope of the content licenses. Certain live performance content may involve remixing and sampling of others' music, and if our content license agreements do not grant us or our users sufficient use rights, or if we facilitate the performance of music for which we do not have a license, our distribution of such content could expose us to claims of copyright infringement. Due to the nature of our business, we could be accused of infringing on the copyrights of Content Providers or other rights holders, or such persons could attempt to prevent us from otherwise making certain content available to our users.

We may not be able to successfully defend against such claims, which may result in a limitation on our ability to use the intellectual property subject to these claims and also might require us to enter into settlement or license agreements, pay costly damage awards or face an injunction prohibiting us from using the affected intellectual property in connection with our services. Defending ourselves against intellectual property claims, whether they are with or without merit or are determined in our favor, results in costly litigation and may divert the attention of our management and technical personnel from the rest of our business.

Our inability to obtain accurate and comprehensive information necessary to identify the musical works embodied in sound recordings used in our services and/or the rights holders of such musical works, may impact our ability to perform our obligations under our licenses from the rights holders, may require us to remove or decrease the number of recordings on our streaming music services, and/or may subject us to potential copyright infringement claims.

We currently rely on the assistance of third parties to determine comprehensive and accurate rights holder information for the musical works embodied in the sound recordings made available on our services. If the information provided to us or obtained by such third parties does not comprehensively or accurately identify which composers, songwriters or publishers own or administer musical works, or if we are unable to determine which musical works correspond to specific sound recordings, it may be difficult to identify the appropriate rights holders from whom a license is required, to identify the applicable rights holders to pay and/or to comply with other applicable terms and obligations of the licenses. Our failure to timely obtain licenses and/or comply with such terms or obligations may subject us to significant liability for copyright infringement (and/or result in termination of certain licenses). Further, our inability to accurately identify rights holders may prevent us from obtaining necessary licenses, which could lead to a reduction in the music available to stream on our services, adversely impacting our ability to retain and expand our listener base.

In addition, music, Internet, technology, and media companies are frequently subject to litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights. Many companies in these industries, including many of our competitors, have substantially larger patent and intellectual property portfolios than we do, which could make us a target for litigation as we may not be able to assert counterclaims against parties that sue us for patent, or other intellectual property infringement. In addition, various "non-practicing entities" that own patents and other intellectual property rights often attempt to aggressively assert claims in order to extract value from technology companies. Further, from time to time we may introduce new products and services, including in territories where we currently do not have an offering, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities. It is difficult to predict whether assertions of third-party intellectual property rights or any infringement or misappropriation claims arising from such assertions will substantially harm our business, operating results, and financial condition. If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims. Furthermore, an adverse outcome of a dispute may require us to pay significant damages, which may be even greater if we are found to have willfully infringed upon a party's intellectual property; cease exploiting copyrighted content that we have previously had the ability to exploit; cease using solutions that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our solutions; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content, or materials; indemnify our partners and other third parties; and/or take other actions that may have material effects on our business, operating results, and financial condition.

Our live music streaming network uses open source software, and we license some of our software through open source projects, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative effect on our business.

We use open source software in connection with our website and our live music streaming network and may use open source software in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Some open source software licenses require users who distribute open source software as part of their own software product to publicly disclose all or part of the source code to such software product or make available any derivative works of the open source code on unfavorable terms or at no cost. Additionally, we may from time to time face claims from third parties claiming ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to license requirements, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a negative effect on our business, financial condition and results of operations. While we have assessed the use of open source software on our website to ensure that we have not used open source software in a manner that would require us to disclose the source code to the related technology, use requiring such disclosure could inadvertently occur and any requirement to disclose our proprietary source code could be harmful to us.

Changes in how network operators handle and charge for access to data that travel across their networks could adversely impact our business.

We will rely upon the ability of consumers to access our service through the Internet. Changes in laws or regulations that adversely affect the growth, popularity or use of the Internet, including laws impacting net neutrality, could decrease the demand for our service and increase our cost of doing business. To the extent that network operators implement usage-based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks by data providers, we could incur greater operating expenses and our subscriber acquisition and retention could be negatively impacted. For example, in late 2010, Comcast informed Level 3 Communications that it would require Level 3 to pay for the ability to access Comcast's network. Furthermore, to the extent network operators were to create tiers of Internet access service and either charge us for or prohibit us from being available through these tiers, our business could be negatively impacted.

Most network operators that provide consumers with access to the Internet also provide these consumers with multichannel video programming. As such, companies like Comcast, Charter Spectrum and Cablevision have an incentive to use their network infrastructure in a manner adverse to our continued growth and success. For example, Comcast exempted certain of its own Internet video traffic (e.g., Streampix videos to the Xbox 360) from a bandwidth cap that applies to all unaffiliated Internet video traffic (e.g., Netflix videos to the Xbox 360). While we believe that consumer demand, regulatory oversight and competition will help check these incentives, to the extent that network operators are able to provide preferential treatment to their data as opposed to ours or otherwise implement discriminatory network management practices, our business could be negatively impacted. In international markets, especially in Latin America, these same incentives apply; however, the consumer demand, regulatory oversight and competition may not be as strong as in our domestic market.

The success of our business and operations depends, in part, on the integrity of our systems and infrastructures, as well as affiliate and third-party computer systems, Wi-Fi and other communication systems. System interruption and the lack of integration and redundancy in these systems and infrastructures may have an adverse impact on our business, financial condition and results of operations.

System interruption and the lack of integration and redundancy in the information systems and infrastructures, both of our own systems and other computer systems and of affiliate and third-party software, Wi-Fi and other communications systems service providers on which we rely, may adversely affect our ability to operate websites, process and fulfill transactions, respond to user inquiries and generally maintain cost-efficient operations. Such interruptions could occur by virtue of natural disaster, malicious actions such as hacking or acts of terrorism or war, or human error. In addition, the loss of some or all of certain key personnel could require us to expend additional resources to continue to maintain our software and systems and could subject us to systems interruptions.

Although we maintain up to date information technology systems and network infrastructures for the operation of our businesses, techniques used to gain unauthorized access to private networks are constantly evolving, and we may be unable to anticipate or prevent unauthorized access to our systems and data.

Privacy concerns could limit our ability to leverage our subscriber data and compliance with privacy regulations could result in significant expense.

In the ordinary course of business and in particular in connection with merchandising our service to our users, we collect and utilize data supplied by our users. We currently face certain legal obligations regarding the manner in which we treat such information. Other businesses have been criticized by privacy groups and governmental bodies for attempts to link personal identities and other information to data collected on the Internet regarding users' browsing and other habits. Increased regulation of data utilization practices, including self-regulation or findings under existing laws, that limit our ability to use collected data, could have an adverse effect on our business. As our business evolves and as we expand internationally, we may become subject to additional and/or more stringent legal obligations concerning our treatment of user information, and to the extent that we need to alter our business model or practices to adapt to these obligations, we could incur significant expenses.

In addition, we cannot fully control the actions of third parties who may have access to the user data we collect and the user data collected by our third-party vendors. We may be unable to monitor or control such third parties and the third parties having access to our website in their compliance with the terms of our privacy policies, terms of use, and other applicable contracts, and we may be unable to prevent unauthorized access to, or use or disclosure of, user information. Any such misuse could hinder or prevent our efforts with respect to growth opportunities and could expose us to liability or otherwise adversely affect our business. In addition, these third parties may become the victim of security breaches or have practices that may result in a breach, and we could be responsible for those third-party acts or failures to act.

Any failure, or perceived failure, by us or the prior owners of acquired businesses to maintain the privacy of data relating to our users (including disclosing data in a manner that was objectionable to our users), to comply with our posted privacy policies, our predecessors' posted policies, laws and regulations, rules of self-regulatory organizations, industry standards and contractual provisions to which we or they may be bound, could result in the loss of confidence in us, or result in actions against us by governmental entities or others, all of which could result in litigation and financial losses, and could potentially cause us to lose users, advertisers, revenue and employees.

Our reputation and relationships with subscribers would be harmed if our subscriber data, particularly billing data, were to be accessed by unauthorized persons.

We will maintain personal data regarding our users, including names and, in many cases, mailing addresses. With respect to billing data, such as credit card numbers, we expect to rely on licensed encryption and authentication technology to secure such information. If we or our payment processing services experience any unauthorized intrusion into our users' data, current and potential users may become unwilling to provide the information to us necessary for them to become subscribers, we could face legal claims, and our business could be adversely affected. Similarly, if a well-publicized breach of the consumer data security of any other major consumer website were to occur, there could be a general public loss of confidence in the use of the Internet for commerce transactions which could adversely affect our business.

In addition, we do not plan to obtain signatures from subscribers in connection with the use of credit and debit cards (together, "payment cards") by them. Under current payment card practices, to the extent we do not obtain cardholders' signatures, we will be liable for fraudulent payment card transactions, even when the associated financial institution approves payment of the orders. From time to time, fraudulent payment cards may be used on our website to obtain service. Typically, these payment cards will not have been registered as stolen and therefore will not be rejected by any automatic authorization safeguards. We do not currently carry insurance against the risk of fraudulent credit card transactions. A failure to adequately control fraudulent credit card transactions would harm our business and results of operations.

Regulatory and business practice developments relating to personal information of our users and/or failure to adequately protect the personal information of our users may adversely affect our business.

Due to the nature of such businesses, the businesses we have acquired or intend to acquire in the future maintain, or have arrangements with third parties who maintain, information on users who or may purchase in the future our services and products electronically through their individual websites or otherwise register on the website for access to our content provided. We are in the process of evaluating the information collected to understand if we can aggregate and reuse the contact information to inform these individuals of upcoming events, offerings and other services and products that we believe enhance the user experience. Data protection laws and regulation may impair our ability to use these data in such ways, as certain uses may be prohibited. The use of such user information is an important component of our growth strategy in the future. The collection, storage and use of user information is subject to regulation in many jurisdictions, including the United States and the EU, and this regulation is becoming more prevalent and stringent. Further, there is a risk that data protection regulators may seek jurisdiction over our activities even in locations in which we do not have an operating entity. This may arise in a number of ways, either because we are conducting direct marketing activities in a particular jurisdiction and the local laws apply to and are enforceable against us, or because one of our databases is controlling the processing of information within that jurisdiction. We intend to develop a comprehensive policy aimed at ensuring adequate protection of our users' personal information and compliance with applicable law. There is a risk that we will be unable to successfully adopt and implement this policy, which may give rise to liabilities or increased costs.

Although we intend to develop systems and processes that are designed to protect customer and employee information and to prevent security breaches or incidents (which could result in data loss or other harm or loss), such measures cannot provide absolute security or certainty. It is possible that advances in computer and hacker capabilities, new variants of malware, the development of new penetration methods and tools, inadvertent violations of company policies or procedures or other developments could result in a compromise of customer or employee information or a breach of the technology and security processes that are used to protect customer and employee information. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems may change frequently and as a result, may be difficult for our business to detect for long periods of time. In addition, despite our best efforts, we may be unable to anticipate these techniques or implement adequate preventative measures. We may need to expend in the future significant capital and other resources to protect against and remedy such potential security breaches, incidents and their consequences, including the establishment of a dedicated cybersecurity organization within our larger technology environment.

We also face risks associated with security breaches and incidents affecting third parties with which we are affiliated or with which we otherwise conduct business. Consumers are generally concerned with the security and privacy of the Internet, and any publicized security problems affecting our businesses and/or third parties may discourage consumers from doing business with us, which could have an adverse effect on our business, financial condition and results of operations.

In some countries, the use of cookies and other information placed on users' Internet browsers or users' computing devices is currently regulated, regardless of the information contained within or referred to by the cookie. Specifically, in the EU, this is now subject to national laws being introduced pursuant to the amended Directive 2002/58 on Privacy and Electronic Communications. The effect of these measures may require users to provide explicit consent to such a cookie being used. The laws being introduced pursuant to this measure are not finalized in every European Member State, and we have not determined what effect this could have on our business when we place the cookie on the user's computer or when a third party does so. The effect may be to limit the amount of information we receive in relation to each use of the service and/or to limit our ability to link this information to a unique identity, which could adversely affect our business and financial condition.

In the United States, the Federal Trade Commission ("FTC") is starting to exercise greater authority over how online consumer data is collected and maintained by businesses. Prompted by the FTC's recommendation regarding online tracking, a number of federal legislative proposals have been introduced that would allow users to opt out of online monitoring. A number of states have passed similar legislation and some states are becoming more active in enforcing these laws to protect consumers.

The laws in this area are complex and developing rapidly. For instance, on April 14, 2016, the EU General Data Protection Regulation (the "GDPR") became effective within Europe on May 25, 2018. The primary objectives of the GDPR are to give citizens of the EU back the control of their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. We have not yet assessed the full effect of the GDPR. Failure to comply with the GDPR may result in significant monetary penalties. As we expand our operations into new jurisdictions, the costs associated with compliance with applicable local data privacy laws and regulations increases. It is possible that government or industry regulation in these markets will require us to deviate from our standard processes and/or make changes to our products, services and operations, which will increase operational cost and risk. There is a risk that Internet browsers, operating systems, or other applications might be modified by their developers in response to this regulation to limit or block our ability to access information about our users. It is possible that existing or future regulations could make it difficult or impossible for us to collect or use our user information in the way we would like which would impede our growth strategy and potentially reduce the revenue we hope to generate. It is also possible that we could be found to have violated regulations relating to user data, which could result in us being sanctioned, suffering fines or other punishment, being restricted in our activities and/or suffering reputational harm. Any of the foregoing could adversely affect our business and financial results.

Risks Related to Our PodcastOne Business

We face and will continue to face competition for ad-supported users, premium subscribers, and user listening time.

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

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

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

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

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

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

Minimum guarantees required under certain of our podcast license agreements may limit our operating flexibility and may adversely affect our business, operating results, and financial condition.

Certain of our podcast license agreements contain minimum guarantees and/or require that we make minimum guarantee payments. Such minimum guarantees related to our content acquisition costs are not always tied to our revenue and/or user growth forecasts (e.g., number of users, active users, premium subscribers), or the number of podcasts used on our service. We may also be subject to minimum guarantees to rights holders with respect to certain strategic partnerships we enter into that may not produce all of the expected benefits. Accordingly, our ability to achieve and sustain profitability and operating leverage on our service in part depends on our ability to increase our revenue through increased sales of premium service and advertising sales on terms that maintain an adequate gross margin. The duration of our license agreements for podcast content that contain minimum guarantees is frequently between one and two years, but our premium subscribers may cancel their subscriptions at any time. If our forecasts of premium subscriber acquisition or retention do not meet our expectations or the number of our premium subscribers or advertising sales decline significantly during the term of our license agreements, our margins may be materially and adversely affected. To the extent our premium service revenue growth or advertising sales do not meet our expectations, our business, operating results, and financial condition could also be adversely affected as a result of such minimum guarantees. In addition, the fixed cost nature of these minimum guarantees may limit our flexibility in planning for, or reacting to, changes in our business and the market segments in which we operate.

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

Expansion of our operations to deliver podcasts subjects us to increased business, legal, financial, reputational, and competitive risks.

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

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

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

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

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

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

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

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

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

Risks Related to Our E-commerce Merchandising Business

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

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

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

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

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

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

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

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

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

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

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

Significant merchandise returns could harm our business.

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

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

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

We are subject to risks related to online payment methods.

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

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

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

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

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

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

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

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

- online specialty retailers; and

- traditional general merchandise and specialty retailers.

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

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

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

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

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

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

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

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

Risks Related to our Festival and Events Business

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

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

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

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

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

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

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

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

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

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

We must match the innovation of our competitors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- operation of venues;
- licensing, permitting and zoning, including ordinances relating to health, noise, traffic and pollution;
- human health, safety and sanitation requirements;
- the service of food and alcoholic beverages;
- working conditions, labor, minimum wage and hour, citizenship and employment laws;
- the ADA;

- the FCPA and similar regulations in other countries;
- sales and other taxes and withholding of taxes;
- privacy laws and protection of personally identifiable information;
- marketing activities via the telephone and online; and
- primary ticketing and ticket resale services.

Our failure to comply with these laws and regulations could result in fines and proceedings against us by governmental agencies and consumers, which if material, could adversely affect our business, financial condition and results of operations. In addition, the promulgation of new laws, rules and regulations could restrict or unfavorably impact our business, which could decrease demand for services, reduce revenue, increase costs and subject us to additional liabilities. For example, some legislatures have proposed laws in the past that would impose potential liability on us and other promoters and producers of live music events for entertainment taxes and for incidents that occur at events, particularly those that involve drugs and alcohol. Additionally, new legislation could be passed that may negatively impact our business, such as provisions that have recently been proposed in various jurisdictions that would restrict ticketing methods, mandate ticket inventory disclosure, and attack current policies governing season tickets for sports teams.

From time to time, federal, state and local authorities and consumers commence investigations, inquiries or litigation with respect to our compliance with applicable consumer protection, advertising, unfair business practice, antitrust (and similar or related laws) and other laws. We may be required to incur significant legal expenses in connection with the defense of future governmental investigations and litigation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to the Ownership of Our Common Stock

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

The trading price of our common stock may be volatile. Our stock price could be subject to wide fluctuations in response to a variety of factors, including the following:

- actual or anticipated fluctuations in our revenue and other operating results;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- issuance of our equity or debt securities, or disclosure or announcements relating thereto;
- the lack of a meaningful, consistent and liquid trading market for our common stock;
- additional shares of our common stock being sold into the market by us or our stockholders or the anticipation of such sales;
- our convertible debt securities being converted into equity or the anticipation of such conversion;
- announcements by us or our competitors of significant events or features, technical innovations, acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in operating performance and stock market valuations of companies in our industry;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- expiration of the lock-up period, as more fully discussed below;
- lawsuits threatened or filed against us;
- regulatory developments in the United States and foreign countries; and
- other events or factors, including those resulting from impact of COVID-19 epidemic, war or incidents of terrorism, other epidemics, or responses to these events.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance.

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

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

Our Chairman and Chief Executive Officer and stockholders affiliated with him own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Mr. Ellin, our Chief Executive Officer and Chairman, and his affiliates beneficially owned approximately 23% of shares of our common stock issued and outstanding as of July 9, 2021 (not including Mr. Ellin's options which have an exercise price substantially above the market price of our common stock as of the date of this Annual Report). Therefore, Mr. Ellin and stockholders affiliated with him may have the ability to influence us through their ownership positions. Mr. Ellin and these stockholders may be able to determine or significantly influence all matters requiring stockholder approval. For example, Mr. Ellin and these stockholders, acting together, may be able to control or significantly influence elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may believe are in your best interest as one of our stockholders.

Sales of a substantial number of shares of our common stock in the public market by certain of our stockholders could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

As discussed above, our directors, executive officers and the entities affiliated with our directors and executive officers are subject to lock-up agreements with the underwriters of the Public Offering that restrict the stockholders' ability to transfer shares of our common stock for 540 days from December 22, 2017. In addition, in connection with the Slacker Acquisition, participating Slacker stockholders in the transaction entered into a similar 540-day lock-up agreement (from December 22, 2017) with the underwriters with respect to the transfer or disposition of the shares of our common stock received in connection with the Slacker Acquisition, or an aggregate of approximately 7.8 million shares.

Subject to certain limitations, all of our outstanding shares held by our directors, executive officers and entities affiliated with our directors prior to the Public Offering, and the other shares subject to lock-up periods described above, will become eligible for sale upon expiration of the applicable lock-up period. In addition, shares issued or issuable upon exercise of warrants, if any, held by these stockholders and vested as of the expiration of the lock-up period will be eligible for sale at that time. Furthermore, the holders of Subordinated Notes may elect to convert their debentures into shares of our common stock, in addition to any interest thereunder. Sales of stock by these stockholders and/or debtholders could have a material adverse effect on the trading price of our common stock.

Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plan and any acquisition agreement, could result in additional dilution of the percentage ownership of our stockholders and could cause our stock price to fall.

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity and/or convertible securities, our stockholders may experience substantial dilution. We may sell or otherwise issue our common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner, we determine from time to time. If we sell or issue our common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent issuances. These issuances may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders. We may pay for future acquisitions with additional issuances of shares of our common stock as well, which would result in further dilution for existing stockholders.

Pursuant to our 2016 Equity Incentive Plan (as amended, the "2016 Plan"), there are 17,600,000 shares of our common stock reserved for future issuance to our employees, directors and consultants. If our board of directors elects to issue additional shares of our common stock, stock options, restricted stock units and/or other equity-based awards under the 2016 Plan, as amended, our stockholders may experience additional dilution, which could cause our stock price to fall.

Conversion of the Subordinated Notes and/or convertible notes will dilute the ownership interest of our existing stockholders, including holders who had previously converted their convertible notes, or may otherwise depress the price of our common stock.

The conversion of some or all of the Subordinated Notes and/or convertible notes in shares of our common stock will dilute the ownership interests of our existing stockholders to the extent we deliver shares of our common stock upon conversion. Any sales in the public market of the shares of our common stock issuable upon such conversion and/or any anticipated conversion of the Subordinated Notes or convertible notes into shares of our common stock could adversely affect prevailing market prices of our common stock.

FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.

The Financial Industry Regulatory Authority ("FINRA"), has adopted rules requiring that, in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative or low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA has indicated its belief that there is a high probability that speculative or low-priced securities will not be suitable for at least some customers. If these FINRA requirements are applicable to us or our securities, they may make it more difficult for broker-dealers to recommend that at least some of their customers buy our common stock, which may limit the ability of our stockholders to buy and sell our common stock and could have an adverse effect on the market for and price of our common stock.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our shares of common stock will be influenced by the research and reports that securities or industry analysts publish about us. Securities and industry analysts currently provide publish limited research focused on our Company. If the current securities or industry analysts do not provide extensive coverage or commence coverage of our Company, the price and trading volume of our shares of common stock could be negatively impacted. If other securities or industry analysts initiate coverage and one or more of the analysts who cover us downgrade our shares of common stock or publish inaccurate or unfavorable research about our Company, the price of our shares of common stock would likely decline. Furthermore, if one or more of these analysts cease coverage of our Company or fail to publish reports on us regularly, demand for our shares of common stock could decrease, which might cause the price of our shares of common stock and trading volume to decline.

As a smaller reporting company, we are subject to scaled disclosure requirements that may make it more challenging for investors to analyze our results of operations and financial prospects

Because the market value of our common stock held by non-affiliates was less than $250 million as of the last business day of our fiscal quarter ended September 30, 2020, we continue to be a "smaller reporting company" as defined by the SEC's revised rules. As a "smaller reporting company," we (i) are able to provide simplified executive compensation disclosures in our filings, (ii) are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting, and (iii) have certain other decreased disclosure obligations in our filings with the SEC, including being required to provide only two years of audited financial statements in our annual reports. Consequently, it may be more challenging for investors to analyze our results of operations and financial prospects. We will remain a smaller reporting company if we have either (i) a public float of less than $250 million held by non-affiliates as of the last business day of the second quarter of our then current fiscal year or (ii) annual revenues of less than $100 million during such recently completed fiscal year with less than $700 million in public float as of the last business day of the second quarter of such fiscal year.

If securities or industry analysts publish inaccurate or unfavorable research about our business, our stock price could decline.

The trading market for our common stock will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

Section 382 and 383 ("Section 382 and 383") of the Internal Revenue Code of 1986, as amended (the "Code"), contains rules that limit the ability of a company that undergoes an ownership change to utilize its net operating losses ("NOLs") and tax credits existing as of the date of such ownership change. Under the rules, such an ownership change is generally any change in ownership of more than 50% of a company's stock within a rolling three-year period. The rules generally operate by focusing on changes in ownership among stockholders considered by the rules as owning, directly or indirectly, 5% or more of the stock of a company and any change in ownership arising from new issuances of stock by the company. As a result of these Section 382 and 383 limitations, any ownership changes as defined by Section 382 and 383 may limit the amount of NOL carryforwards that could be utilized annually to offset future taxable income.

We do not intend to pay dividends on our common stock so any returns will be limited to the value of our stock.

We have never declared or paid any cash dividend on our common stock. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. Additionally, any credit and security agreement that we may enter into in the future will likely contain covenants that will restrict our ability to pay dividends. Any return to stockholders will therefore be limited to the appreciation of their stock.

Provisions in our Certificate of Incorporation and Bylaws and provisions under Delaware law could make it more difficult for a third party to acquire us or increase the cost of acquiring us, even if doing so would benefit our stockholders, and may prevent or frustrate attempts by our stockholders to replace or remove our current management.

Some provisions of our charter documents may have anti-takeover effects that could discourage an acquisition of us by others, even if an acquisition would be beneficial to our stockholders, and may prevent attempts by our stockholders to replace or remove our current management. These provisions include: authorizing the issuance of "blank check" preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval; and establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law ("Section 203") regulating corporate takeovers. In general, Section 203 prohibits publicly held Delaware corporation from engaging in a business combination with an interested stockholder (generally, any entity, person or group beneficially owning 15% or more of the outstanding voting stock of the company) for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the date of the transaction, the business combination is approved by the board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

This provision could have the effect of delaying or preventing a change of control, whether or not it is desired by or beneficial to our stockholders.

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The risks above do not necessarily comprise of all those associated with an investment in our Company. This Annual Report contains forward looking statements that involve unknown risks, uncertainties and other factors that may cause our actual results, financial condition, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those set out above.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Effective January 1, 2021, our temporary principal executive offices are located at 269 S. Beverly Drive, Suite #1450, Beverly Hills, 90212. We intend to combine all of our Los Angeles-based operations under one address. Slacker leases its San Diego premises located at 16935 West Bernardo Drive, Suite #270, San Diego, CA 92127, under operating leases which expires on December 31, 2021. PodcastOne leases its Los Angeles premises located at 335 North Maple Drive, Suite 127, Beverly Hills, CA 90210, under an operating lease which expired on December 31, 2020 and is currently month to month. React Presents leases its Chicago, Illinois premises under an operating lease which expired October 9, 2020 and is currently month to month. CPS leases its Chicago premises located at 31 Mitchell Court, Addison, IL 60101, under an operating lease which expires on June 30, 2024. We believe that each of these properties are in good condition and suitable for the conduct of our business. We currently have no policy with respect to investments or interests in real estate, real estate mortgages or securities of, or interests in, persons primarily engaged in real estate activities.

Item 3. Legal Proceedings

We are from time to time, party to various legal proceedings arising out of our business. Certain legal proceedings in which we are involved are discussed in Note 15 - Commitments and Contingencies, to the consolidated financial statements included in Item 8. Financial Statement and Supplementary Data, and are incorporated herein by reference. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

Our Common Stock has been trading publicly on The NASDAQ Capital Market ("Nasdaq") under the symbol "LIVX since February 22, 2018.

Number of Holders

As of July 9, 2021, there were 429 stockholders of record of our common stock. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividends

We have not paid any cash dividends on our common stock to date and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain earnings, if any, for the future operation and expansion of our business. Any determination to pay cash dividends in the future will be at the discretion of our board of directors and will depend upon our results of operations, cash requirements, financial condition, contractual restrictions, restrictions imposed by applicable laws and other factors that our board of directors may deem relevant.

Recent Sales of Unregistered Securities

Other than as set forth below and as reported in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K, there have been no other sales or issuances of unregistered securities since April 1, 2020 were not registered under the Securities Act of 1933, as amended (the "Securities Act").

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

Fiscal Year 2021

During the fiscal year ended March 31, 2021, we issued an aggregate of 10,428,085 shares of our common stock and 0 restricted stock units to our consultants, employees, and vendors, respectively.

Fiscal Year 2020

During the fiscal year ended March 31, 2020, we issued an aggregate of 1,709,146 shares of our common stock and 4,048,306 restricted stock units to our consultants, employees, and vendors, respectively.

Fiscal Year 2019

During the fiscal year ended March 31, 2019, we issued an aggregate of 290,132 shares of our common stock and 703,983 restricted stock units to our consultants, employees, and vendors, respectively.

Issuance of Securities in Private Offerings

Fiscal Year 2021

During the fiscal year ended March 31, 2021, we issued an aggregate of 0 warrants to purchase our common stock to various investors.

Fiscal Year 2020

During the fiscal year ended March 31, 2020, we issued an aggregate of 0 warrants to purchase our common stock to various investors.

Fiscal Year 2019

During the fiscal year ended March 31, 2019, we issued an aggregate of 0 warrants to purchase our common stock to various investors.

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

Stock Repurchase Program

In December 2020, we announced that our board of directors has authorized the repurchase up to 2 million shares of our outstanding common stock from time to time. The timing, price, and quantity of purchases under the program will be at the discretion of our management and will depend upon a variety of factors including share price, general and business market conditions, compliance with applicable laws and regulations, corporate and regulatory requirements, and alternative uses of capital. The program may be expanded, suspended, or discontinued by our board of directors at any time. Although our board of directors has authorized this stock repurchase program, there is no guarantee as to the exact number of shares, if any, that will be repurchased by us, and we may discontinue purchases at any time that management determines additional purchases are not warranted. We cannot guarantee that the program will be consummated, fully or all, or that it will enhance long-term stockholder value. The program could affect the trading price of our common stock and increase volatility, and any announcement of a termination of this program may result in a decrease in the trading price of our common stock. In addition, this program could diminish our cash reserves. As of March 31, 2021, there have been no repurchases of our outstanding common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

See “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters — Securities Authorized for Issuance Under Equity Compensation Plans” of this Annual Report.

Item 6. Selected Financial Data

Not applicable to smaller reporting companies.

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

Forward-Looking Statements

We make forward-looking statements in this Annual Report and the documents incorporated by reference herein within the meaning of the Securities Litigation Reform Act of 1995. These forward-looking statements relate to expectations or forecasts for future events, including without limitation our earnings, revenues, expenses or other future financial or business performance or strategies, or the impact of legal or regulatory matters on our business, results of operations or financial condition. These statements may be preceded by, followed by or include the words "may," "might," "will," "will likely result," "should," "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "continue," "target" or similar expressions. These forward-looking statements are based on information available to us as of the date of this Annual Report and on our current expectations, forecasts and assumptions, and involve substantial risks and uncertainties. Actual results may vary materially from those expressed or implied by the forward-looking statements herein due to a variety of factors, including: our reliance on one key customer for a substantial percentage of its revenue; our ability to continue as a going concern; if and when required, our ability to obtain additional capital, including to fund our current debt obligations and to fund potential acquisitions and capital expenditures; the effects of the global Covid-19 pandemic; our ability to attract, maintain and increase the number of its users and paid subscribers; our ability to identify, acquire, secure and develop content; our ability to integrate our acquired businesses, the ability of the combined business to grow, including through acquisitions which we are able to successfully integrate, and the ability of our executive officers to manage growth profitably; our ability to maintain compliance with certain financial and other covenants; successfully implementing our growth strategy, including relating to our technology platforms and applications; our management's relationships with industry stakeholders; changes in economic conditions; competition; and other risks and uncertainties set forth in "Item 1A. Risk Factors" of this Annual Report. We do not undertake any obligation to update forward-looking statements as a result of as a result of new information, future events or developments or otherwise.

The following discussion and analysis of our business and results of operations for the fiscal year ended March 31, 2021, and our financial conditions at that date, should be read in conjunction with the financial statements and the notes thereto included elsewhere in this Annual Report. As used herein, "LiveXLive," "LXL," the "Company," "we," "our" or "us" and similar terms refer collectively to LiveXLive Media, Inc. and its subsidiaries, unless the context indicates otherwise.

Overview of the Company

We are a pioneer in the acquisition, distribution and monetization of live music, Internet radio, podcasting and music-related streaming and video content. Our principal operations and decision-making functions are located in North America. We manage and report our businesses as a single operating segment. Our chief operating decision maker regularly reviews our operating results, principally to make decisions about how we allocate our resources and to measure our segment and consolidated operating performance. We previously generated a majority of our revenue through subscription services from our streaming radio and music services, and to a lesser extent through advertising and licensing across our music platform. In the fourth quarter of our fiscal year ended March 31, 2020, we began generating ticketing, sponsorship, and promotion-related revenue from live music events through our February 2020 acquisition of React Presents. In May 2020, we launched a new PPV offering enabling new forms of artist revenue including digital tickets, tipping, digital meet and greets, merchandise sales and sponsorship. In July 2020, we entered the podcasting business with the acquisition of PodcastOne and in December 2020, we entered the merchandising business with the acquisition of CPS.

For the fiscal years ended March 31, 2021 and 2020, we reported revenue of $65.2 million and $38.7 million, respectively. For the years ended March 31, 2021 and 2020, one customer accounted for 36% and 60% of our consolidated revenues, respectively.

Fiscal 2021 Significant Transactions

Acquisition of PodcastOne

On July 1, 2020, we acquired 100% of the equity interests of PodcastOne for net consideration of $16.1 million consisting of 5,363,636 shares of our common stock with a fair value of $14.6 million net of a 24% discount for lack of marketability, contingent consideration with a fair value of $1.1 million and an additional 203,249 shares during the third quarter of fiscal 2021 valued at $0.4 million, net of a 24% discount for lack of marketability, that was issued as part of the final purchase price consideration.

Share issuance to UMG

In July 2020, the Company issued to UMG Recordings, Inc. ("UMGR") 2,415,459 shares of its common stock at a price of $3.28 per share, to satisfy the Company's payment obligation in the amount of $10.0 million owed to such music licensor (the "Threshold Amount"). In the event that the value of the Shares as of September 30, 2020 was less than the Threshold Amount, the Company agreed to make an additional cash payment to such music licensor in an amount equal to the difference between (i) the Threshold Amount and (ii) the sum of (x) the net proceeds of any sales of the Shares by the music licensor plus (y) the aggregate value of the Shares not sold by the music licensor as of such date. Due to the value of shares issued to UMGR under such agreement, together with the net proceeds of all sales of such shares by UMGR, being less than $10 million as of March 31, 2021, we recorded an accrued liability owed to UMGR in connection with such agreement. As of March 31, 2021, the Company accrued $1.8 million related to additional cash payment required.

Equity Offering

In July 2020, the Company issued directly to a certain institutional investor and another investor a total of 1,820,000 shares of the Company's common stock for net proceeds of approximately $7.3 million after offering costs at a price per share of $4.14. The offering of the shares was made pursuant to the Registration Statement, and a prospectus supplement related to the offering filed with the SEC on July 23, 2020.

Repaid senior secured convertible debentures

On August 31, 2020, we repaid in full our senior secured convertible debentures issued to our former senior lenders, JGB as provided in such debentures. In connection with such repayment, all of the agreements among us, our subsidiary guarantors and the senior lenders and their collateral agent were terminated, provided, that our indemnification obligations between us and the senior lenders shall survive on the terms therein.

Issued new senior secured convertible notes

Effective as of September 15, 2020, we (i) completed the sale and issuance of our new senior secured convertible notes in the aggregate principal amount of $15.0 million to designees of a certain existing institutional investor for cash gross proceeds of $15.0 million and (ii) issued 800,000 shares of our common stock. The new senior secured convertible notes mature on September 15, 2022, accrue interest at 8.5% per year with interest is payable quarterly in cash in arrears, and are convertible into shares of our common stock at a conversion price of $4.50 per share at the holder's option, subject to certain customary adjustments such as stock splits, stock dividends and stock combinations.

Acquisition of CPS

On December 22, 2020, we acquired 100% of the equity interests of CPS for total consideration of 2,230,769 shares of the Company's restricted common stock with a fair value of $6.4 million net of a 25% discount for lack of marketability, an additional 577,000 shares of our restricted common stock if CPS reports GAAP revenue of $20.0 million and $1.0 million of EBITDA for its fiscal year ended December 31, 2020, and an additional 110,000 shares of our restricted common stock to the extent CPS' final working capital as determined by the parties exceeds $4.0 million with a dollar-for-dollar reduction with respect to each such shortfall with no duplication.

Basis of Presentation

The consolidated financial statements have been prepared on the same basis as the Company's audited consolidated financial statements for the fiscal year ended March 31, 2020, and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's consolidated financial statements for the year ended March 31, 2021. The presented financial information for the fiscal year ended March 31, 2021 includes the financial information and activities of LiveXLive and React Presents for the full year and PodcastOne and CPS from the effective date of their acquisitions.

Opportunities, Challenges and Risks

For our fiscal year ended March 31, 2020, we derived 93% of our revenue from paid customers' subscriptions and the remainder from advertising, ticketing, sponsorship and licensing. During fiscal year ended March 31, 2021, we (i) acquired PodcastOne (effective July 1, 2020) and CPS (effective December 22, 2020), (ii) accelerated the number of live events digitally live streamed across our platform, (iii) increased our sponsorship revenue from live events when compared to prior fiscal years and (iv) successfully launched our Pay Per View ("PPV") platform, allowing us to charge customers directly to access and watch certain live events digitally on our music platform. As a result of these actions, our revenue for the fiscal year ended March 31, 2021 was comprised of 51% from paid customers' subscriptions, 32% from advertising (which includes PodcastOne), 8% from merchandise (which includes CPS) and 9% from ticketing and sponsorship and licensing. Conversely, the COVID-19 pandemic adversely impacted our on-premise live events, concerts and festivals through React Presents and our programmatic advertising as more fully discussed below. Until the impact of COVID-19 eases around the world and related government actions are relaxed in the markets in which we operate, we do not expect to produce on-premise live music events and generate revenue through co-promotion fees, sponsorships, food and beverage and ticket sales of on-premise live events in the near term.

We believe there is substantial near and long-term value in our live music content. We believe the monetary value of broadcasting live music will follow a similar evolution to live sporting events such as the National Football League, Major League Baseball and the National Basketball Association, whereby sports broadcasting rights became more valuable as the demand for live sporting events increased over the past 20 years. As a thought leader in live music, we plan to acquire the broadcasting rights to as many of the top live music events and festivals that are available to us. During the fiscal year ended March 31, 2021, we livestreamed 146 major festivals and live music events compared to 42 in the prior fiscal year. With this acceleration in livestreamed events, we also experienced increases in monetization of these events from paid sponsorships and pay per view ticket purchases. In the near term, we will continue aggregating our digital traffic across these festivals and monetizing the live broadcasting of these events through advertising, brand sponsorships and licensing of certain broadcasting rights outside of North America. The long-term economics of any future agreement involving festivals, programming, production, broadcasting, streaming, advertising, sponsorships, and licensing could positively or negatively impact our liquidity, growth, margins, relationships, and ability to deploy and grow our future services with current or future customers, and are heavily dependent upon the easing and elimination of the COVID-19 pandemic.

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

We believe our operating results and performance are, and will continue to be, driven by various factors that affect the music industry. Our ability to attract, grow and retain users to our platform is highly sensitive to rapidly changing public music preferences and technology and is dependent on our ability to maintain the attractiveness of our platform, content and reputation to our customers. Beyond fiscal year 2021, the future revenue and operating growth across our music platform will rely heavily on our ability to grow our subscriber base in a cost effective manner, continue to develop and deploy quality and innovative new music services, provide unique and attractive content to our customers, continue to grow the number of listeners on our platform and live music festivals we stream, grow and retain customers and secure sponsorships to facilitate future revenue growth from advertising and e-commerce across our platform.

As our music platform continues to evolve, we believe there are opportunities to expand our services by adding more content in a greater variety of formats such as podcasts and vodcasts, extending our distribution to include pay television, OTT and social channels, deploying new services for our subscribers, artist merchandise and live music event ticket sales, and licensing user data across our platform. Our acquisitions of PodcastOne and CPS are reflective of our flywheel operating model. Conversely, the evolution of technology presents an inherent risk to our business. Today, we see large opportunities to expand our music services within North America and other parts of the world where we will need to make substantial investments to improve our current service offerings. As a result, and during the fiscal year ending March 31, 2021, we will continue to invest in product and engineering to further develop our future music apps and services, and we expect to continue making significant product development investments to our existing technology solutions over the next 12 to 24 months to address these opportunities.

As our platform matures, we also expect our contribution margins and AOL to improve in the near and long term, which are Non-GAAP measures as defined in section following below titled, “Non-GAAP Measures”. Historically, our live events business has not generated enough direct revenue to cover the costs to produce such events, and as a result generated negative contribution margins* and operating losses. Beginning in late March 2020, the COVID-19 pandemic had an adverse impact on on-premise live music events and festivals. Historically, we produced and digitally distributed the live music performances of many of these large global music events to fans all around the world. With the elimination of any fan-attended music events, festivals and concerts, we shifted our operating model beginning in April 2020 towards self-producing live music events that were 100% digital (e.g., artists not performing in front of live fans and solely for digital distribution). In April 2020, we also launched our first all-digital music festival, Music Lives, which aired continuously for over 48 straight hours, with nearly 100 artists and generated over 50 million livestreams and over 6.5 billion video views of the of hashtag *#musiclives* across TikTok. Music Lives was simulcast across our platform and on TikTok’s platform, who also sponsored the event. In March 2021, we held our second annual Music Lives festival, which featured 130 artists performing over 72 continuous hours generating nearly 28 million livestreams.

Growth in our music services is also dependent upon the number of customers that use and pay for our services, the attractiveness of our music platform to sponsors and advertisers and our ability to negotiate favorable economic terms with music labels, publishers, artists and/or festival owners, and the number of consumers who use our services. Growth in our margins is heavily dependent on our ability to grow the subscriber base in a cost-efficient manner, coupled with the managing the costs associated with implementing and operating our services, including the costs of licensing music with the music labels, producing, streaming and distributing video and audio content and sourcing and distributing personalized products and gifts. Our ability to attract and retain new and existing customers will be highly dependent on our abilities to implement and continually improve upon our technology and services on a timely basis and continually improve our network and operations as technology changes and as we experience increased network capacity constraints as we continue to grow.

For the majority of our agreements with festival owners, we acquire the global broadcast rights. Moreover, the digital rights we acquire principally include any format and screen, and future rights to VR and AR. For the years ended March 31, 2021 and 2020, all material amounts of our revenue were derived from customers located in the United States and moreover, one of our customers accounted for 36% of our consolidated revenue. This significant concentration of revenue from one customer poses risks to our operating results, and any change in the means this customer utilizes our services beyond March 31, 2021 could cause our revenue to fluctuate significantly. Moreover, and with the addition of PodcastOne and CPS in July and December 2020, respectively, the percentage of this customer revenue concentration decreased substantially and this trend is expected to continue in the future. In the long term, we plan to expand our business further internationally in places such as Europe, Asia Pacific and Latin America, and as a result will continue to incur significant incremental upfront expenses associated with these growth opportunities.

Effects of COVID-19

An outbreak of a novel strain of coronavirus, COVID-19 in December 2019 subsequently became a pandemic after spreading globally, including the United States. While the COVID-19 pandemic did not materially adversely affect our financial results and business operations during the fiscal year ended March 31, 2020, it did adversely impact parts of our business during the fiscal year ended March 31, 2021, namely our live events and programmatic advertising. Due to the global pandemic and government actions taking in response, since March 2020, all in person festivals, concerts and events have either been canceled or suspended, and it is uncertain when they will be permitted to resume, and as a result, the COVID-19 pandemic had an adverse impact on on-premise live music festivals, concerts and events. Major global music festivals have been postponed until 2021 or indefinitely. With our acquisition of React Presents in February 2020, we were unable to produce and promote more than 200 forecasted live events in fiscal year ended March 31, 2021, including our flagship live event Spring Awakening festival, which is typically annually produced in June. In January 2021, we announced our first-ever expansion of Spring Awakening music festival (“SAMF”) outside of Chicago with its first edition of “Spring Awakening Excursions” Cancun Awakening music festival which is a live event held from April 28 to May 2, 2021. However, further outbreaks of COVID-19 have caused the postponement of this event. Moreover, our programmatic advertising is presently adversely impacted as COVID-19 caused a subset of our legacy advertising mix and demand to decline and as a result, overall advertising cost per thousand impressions/rates across our platform were subsequently reduced. Further, as of the date of this Annual Report, we are not livestreaming any fan attended live festivals, concerts or other in-person live events on our platform or channels and it is unclear when streaming of fan attended live festivals, concerts or other in-person live events will again become regularly available to us. Conversely, while the economic and health conditions in the United States and across the globe have changed rapidly since the end of our fiscal year ended March 31, 2020, we are presently experiencing growth in certain parts of our core business, including (i) growth in the number of live music events produced digitally and livestreamed during fiscal year ended March 31, 2021(146 live events) as compared to fiscal year March 31, 2020 (42 live events), (ii) improvement in the monetization of these digital livestreams, which exceeded prior fiscal year by over 1,188% and (iii) new growth opportunities across our music platform, including podcasts, vodcasts, merchandising and PPV. In addition, the outbreak and any preventative or protective actions that governments, other third parties or we may take in respect of the coronavirus may result in a period of business disruption and reduced operations. For example, our largest customer was ordered to keep its main U.S. factory closed for a substantial amount of time during the quarter ended June 30, 2020.

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

Non-GAAP Measures

Contribution margin

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

Reconciliation of Adjusted Operating Loss

Adjusted Operating Income ("AOI") or Loss ("AOL") is a non-GAAP financial measure that we define as operating income (loss) before (a) non-cash GAAP purchase accounting adjustments for certain deferred revenue and costs, (b) legal, accounting and other professional fees directly attributable to acquisition activity, (c) employee severance payments and third party professional fees directly attributable to acquisition or corporate realignment activities, (d) certain non-recurring expenses associated with legal settlements or reserves for legal settlements in the period that pertain to historical matters that existed at acquired companies prior to their purchase date, (e) any charges in the period pursuant to formal plans to abandon events or product offerings, (f) depreciation and amortization (including goodwill impairment, if any), and (g) certain stock-based compensation expense. We use AOI/(AOL) to evaluate the performance of our operating segment. We believe that information about AOI/(AOL) assists investors by allowing them to evaluate changes in the operating results of our business separate from non-operational factors that affect net income (loss), thus providing insights into both operations and the other factors that affect reported results. AOI/(AOL) is not calculated or presented in accordance with GAAP. A limitation of the use of AOI/(AOL) as a performance measure is that it does not reflect the periodic costs of certain amortizing assets used in generating revenue in our business. Accordingly, AOI/(AOL) should be considered in addition to, and not as a substitute for, operating income (loss), net income (loss), and other measures of financial performance reported in accordance with GAAP. Furthermore, this measure may vary among other companies; thus, AOI/(AOL) as presented herein may not be comparable to similarly titled measures of other companies.

The following table sets forth the reconciliation of AOI/(AOL) to Operating Income (loss) from Continuing Operations, the most comparable GAAP financial measure (in thousands):

	Contribution Margin	Operating Loss	Depreciation and Amortization	Stock-Based Compensation	Non-Recurring Acquisition and Realignment Costs	Other Non-Recurring Costs	Adjusted Operating Loss
2021							
Operations	$ 16,243	$ (16,209)	$ 8,756	$ 6,093	$ -	$ 1,107	$ (253)
Corporate	-	(13,161)	14	5,189	421	1,950	(5,587)
Total	$ 16,243	$ (29,370)	$ 8,770	$ 11,282	$ 421	$ 3,057	$ (5,840)
2020							
Operations	$ 5,873	$ (22,558)	$ 8,017	$ 6,184	$ -	$ 387	$ (7,970)
Corporate	-	(13,437)	3	5,843	-	2,913	(4,678)
Total	$ 5,873	$ (35,995)	$ 8,020	$ 12,027	$ -	$ 3,300	$ (12,648)

Consolidated Results of Operations

The following tables set forth our results of operations for the periods presented. The period-to-period comparison of financial results is not necessarily indicative of future results (in thousands):

	Year Ended March 31, 2021	Year Ended March 31, 2020
Revenue:	$ 65,230	$ 38,659
Operating expenses:		
Cost of sales	48,987	32,786
Sales and marketing	9,517	6,255
Product development	9,680	10,767
General and administrative	20,831	19,120
Amortization of intangible assets	5,585	5,726
Total operating expenses	94,600	74,654
Loss from operations	(29,370)	(35,995)
Other income (expense):		
Interest expense, net	(5,303)	(3,738)
Loss on extinguishment of debt	(5,180)	-
Other expense	(2,312)	614
Total other expense, net	(12,795)	(3,124)
Loss before income tax benefit	(42,165)	(39,119)
Income tax benefit	(345)	(192)
Net loss	$ (41,820)	$ (38,927)
Net loss per share – basic and diluted	$ (0.61)	$ (0.69)
Weighted average common shares – basic and diluted	69,040,055	56,206,107

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

	Year Ended March 31, 2021	Year Ended March 31, 2020	% Change 2021 vs. 2020
Depreciation expense			
Cost of sales	$ 47	$ -	-
Sales and marketing	200	185	8%
Product development	2,188	1,925	14%
General and administrative	750	184	308%
Total depreciation expense	$ 3,185	$ 2,294	39%

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

	Year Ended March 31, 2021	Year Ended March 31, 2020	% Change 2021 vs. 2020
Stock-based compensation expense:			
Cost of sales	$ 820	$ 106	674%
Sales and marketing	2,358	2,127	11%
Product development	2,135	2,568	-17%
General and administrative	5,969	7,226	-17%
Total stock-based compensation expense	$ 11,282	$ 12,027	-6%

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

	Year Ended March 31, 2021	Year Ended March 31, 2020
Revenue	100%	100%
Operating expenses		
Cost of sales	75%	85%
Sales and marketing	15%	16%
Product development	15%	28%
General and administrative	32%	49%
Amortization of intangible assets	9%	15%
Total operating expenses	145%	193%
Loss from operations	-45%	-93%
Other expense	-20%	-8%
Loss before income taxes	-65%	-101%
Income tax provision	-1%	-%
Net loss	-64%	-101%

Revenue

Revenue was as follows (in thousands):

	Year Ended March 31, 2021	Year Ended March 31, 2020	% Change 2021 vs. 2020
Subscription services	$ 33,577	$ 35,904	-6%
Advertising	20,779	2,167	859%
Merchandising	5,168	-	-
Sponsorship and licensing	3,878	301	1,188%
Ticket/Event	1,828	287	537%
Total Revenue	$ 65,230	$ 38,659	69%

Subscription Revenue

Subscription revenue decreased $2.3 million, or 6%, to $33.6 million for the year ended March 31, 2021, as compared to $35.9 million for the year ended March 31, 2020. The decrease was primarily as a result of certain subscribers subject to a contractual dispute with our largest customer. The Company is not recognizing revenue related to these subscribers.

Advertising Revenue

Advertising revenue increased $18.6 million, or 859%, to $20.8 million during the year ended March 31, 2021, as compared to $2.2 million the year ended March 31, 2020 which is primarily attributable to the acquisition of PodcastOne.

Merchandising

Merchandising revenue increased to $5.2 million from $0 million for the year ended March 31, 2021 as compared to the year ended March 31, 2020 due to the acquisition of CPS.

Sponsorship and Licensing

Sponsorship and licensing revenue increased $3.6 million, or 1,188%, to $3.9 million from $0.3 million for the year ended March 31, 2021 as compared to the year ended March 31, 2020. The increase was primarily due to the 146 events livestreamed by us during the year ended March 31, 2021 compared to 42 events livestreamed during the prior year comparable period, and by additional sponsorship deals associated with our digital livestream offerings.

Ticket/Event

Ticket/Event revenue increased $1.5 million, or 537%, to $1.8 million for the year ended March 31, 2021, as compared to $0.3 million for the year ended March 31, 2020, driven by the launch of our pay-per-view platform in May 2020.

Cost of Sales

Cost of sales was as follows (in thousands):

	Year Ended March 31,		% Change 2021 vs.
	2021	**2020**	**2020**
Subscription	$ 20,449	$ 23,189	-12%
Advertising	17,146	2,016	750%
Production	8,226	7,581	9%
Merchandising	3,166	-	-
Total Cost of Sales	$ 48,987	$ 32,786	49%

Subscription

Subscription cost of sales decreased $2.7 million, or 12 %, to $20.4 million for the year ended March 31, 2021, as compared to $23.2 million for the year ended March 31, 2020. The decrease was in line with the lower subscription revenues noted above.

Advertising

Advertising cost of sales increased $15.1 million, or 750%, to $17.1 million for the year ended March 31, 2021, as compared to $2.0 million for the year ended March 31, 2020. The increase was primarily due to the acquisition of PodcastOne which significantly increased our Advertising revenues and is in line with our increase in related costs.

Production

Production cost of sales increased $0.6 million, or 9%, to $8.2 million for the year ended March 31, 2021, as compared to $7.6 million for the year ended March 31, 2020. The increase was primarily due to the increase in events livestreamed noted above compared to the prior year period and our podcast production costs from PodcastOne.

Merchandising

Merchandising cost of sales increased to $3.2 million from $0 million for the year ended March 31, 2021 due to the acquisition of CPS.

Other Operating Expenses

Other operating expenses were as follows (in thousands):

	Year Ended March 31,		% Change 2021 vs.
	2021	2020	2020
Sales and marketing expenses	$ 9,517	$ 6,255	52%
Product development	9,680	10,767	-10%
General and administrative	20,831	19,120	9%
Amortization of intangible assets	5,585	5,726	-2%
Total Other Operating Expenses	$ 45,613	$ 41,868	9%

Sales and Marketing Expenses

Sales and marketing expenses increased $3.3 million, or 52%, to $9.5 million for the year ended March 31, 2021, as compared to $6.3 million for the year ended March 31, 2020. The increase was largely due to an increase in personnel-related expenses and vendor related expenses of $3.5 million due to the acquisition of PodcastOne and CPS.

Product Development

Product development expenses decreased $1.1 million, or 10%, to $9.7 million for the year ended March 31, 2021, as compared to $10.8 million for the year ended March 31, 2020. The decrease was largely due to a $1.4 million reduction in consulting expenses offset by an increase in personnel-related expenses of $0.5 million primarily as a result of the PodcastOne acquisition.

General and Administrative

General and administrative expenses increased $1.7 million, or 9%, to $20.8 million for the year ended March 31, 2021, as compared to $19.1 million for the year ended March 31, 2020. The increase was primarily due to an increase in personnel-related costs of approximately $1.3 million due to the addition of corporate personnel.

Amortization of Intangible Assets

Amortization of intangible assets decreased by $0.1 million, to $5.6 million for the year ended March 31, 2021, as compared to $5.7 million for the year ended March 31, 2020. The decrease was due to certain customer relationships which were fully amortized in the prior year, offset by amortization in the current year related to intangible assets acquired with the acquisition of PodcastOne and CPS.

Total Other Income (Expense)

	Year Ended March 31,		% Change 2021 vs.
	2021	2020	2020
Total other expense, net	$ (12,795)	$ (3,124)	310%

Total other income (expense) increased $9.7 million, or 310%, to $12.8 million for the year ended March 31, 2021, as compared to $3.1 million for the year ended March 31, 2020. The increase was primarily due a loss on the extinguishment of debt of $5.2 million, an increase in contingent consideration of $1.3 million related to the acquisition of PodcastOne, and an increase in interest expense of $1.6 million.

Business Segment Results

Operations

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

	Year Ended March 31,		% Change 2021 vs.
	2021	2020	2020
Revenue	$ 65,230	$ 38,659	69%
Cost of Sales	48,987	32,786	49%
Sales & Marketing, Product Development and G&A	26,867	22,705	18%
Intangible Asset Amortization	5,585	5,726	-2%
Operating Loss	$ (16,209)	$ (22,558)	28%
Operating Margin	-25%	-58%	33%
AOL*	$ (253)	$ (7,970)	97%
AOL Margin*	0%	-21%	21%

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

Fiscal Year 2021 Compared to Fiscal Year 2020

Revenue

Revenue increased $26.6 million, or 69%, during the year ended March 31, 2021, as compared to $38.7 million for the year ended March 31, 2020, primarily due to the inclusion of PodcastOne advertising revenue which contributed $19.7 million, the inclusion of CPS merchandising revenue which contributed $5.2 million and an increase of $3.6 million in sponsorship and licensing revenue due to a higher number of livestreamed events in the current year period compared to the prior year. This increase was partially offset by a decrease in subscriber revenue of $2.3 million as a result of certain subscribers subject to a contractual dispute.

Operating Loss

Operating loss decreased $6.3 million, or 28%, to $16.2 million for the year ended March 31, 2021 as compared to $22.6 million for the year ended March 31, 2020, as a result of the increase in contribution margins from operations of $10.4 million primarily due to the acquisitions of PodcastOne and CPS, partially offset by a $4.2 million increase in sales & marketing, product development and G&A expenses.

Adjusted Operating Loss

Operations Adjusted Operating Loss decreased by $7.7 million, or 97%, to $0.3 million for the year ended March 31, 2021 as compared to $8.0 million for the year ended March 31, 2020. This was largely due to the improved contribution margin mentioned above of $10.4 million, partially offset a $4.2 million increase in sales & marketing, product development, and G&A expenses for the year ended March 31, 2021 compared to the same period in March 31, 2020.

Corporate

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

	Year Ended March 31,		% Change 2020 vs.
	2021	2020	2019
Sales & Marketing, Product Development, and G&A	$ 13,161	$ 13,437	-2%
Operating Loss	$ (13,161)	$ (13,437)	-2%
Operating Margin	N/A	N/A	-%
AOL*	$ (5,587)	$ (4,678)	19%

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

Operating Loss

Operating loss decreased $0.3 million, or 2%, to $13.2 million for the year ended March 31, 2021, as compared to $13.4 million for the year ended March 31, 2020 largely due to the addition of corporate personnel.

Adjusted Operating Loss

Corporate AOL increased $0.9 million, or 19%, to $5.6 million for the year ended March 31, 2021 as compared to $4.7 million for the year ended March 31, 2020. The increase was largely due to the addition of corporate personnel mentioned above.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates. We believe that the assumptions and estimates associated with our revenue recognition, allowance for doubtful accounts, the assigned value of acquired tangible and intangible assets and assumed and contingent liabilities associated with business combinations, provision for legal settlements, useful lives and impairment of property and equipment, intangible assets, goodwill and other assets, the fair value of our equity-based compensation awards and convertible debt instruments, and valuation of deferred income tax assets and liabilities, have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

Revenue Recognition

We account for a contract with a customer when an approved contract exists, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of substantially all of the consideration is probable. Revenue is recognized when we satisfy our obligation by transferring control of the goods or services to our customers in an amount that reflects the consideration to which the we expect to be entitled in exchange for those goods or services. We use the expected value method to estimate the value of variable consideration on advertising and with original equipment manufacturer contracts to include in the transaction price and reflect changes to such estimates in periods in which they occur. Variable consideration for these services is allocated to and recognized over the related time period such advertising and subscription services are rendered as the amounts reflect the consideration we are entitled to and relate specifically to our efforts to satisfy our performance obligation. The amount of variable consideration included in revenue is limited to the extent that it is probable that the amount will not be subject to significant reversal when the uncertainty associated with the variable consideration is subsequently resolved.

We report revenue on a gross or net basis based on management's assessment of whether we act as a principal or agent in the transaction. To the extent we act as the principal, revenue is reported on a gross basis net of any sales tax from customers, when applicable. The determination of whether we act as a principal or an agent in a transaction is based on an evaluation of whether we control the good or service prior to transfer to the customer. Where applicable, we have determined that we act as the principal in all of its subscription service streams and may act as principal or agent for our advertising and licensing revenue streams.

Our revenue is principally derived from the following services:

Subscriptions Services

Subscription services revenue substantially consist of monthly to annual recurring subscription fees, which are primarily paid in advance by credit card or through direct billings arrangements. We defer the portion of monthly to annual recurring subscription fees collected in advance and recognize them in the period earned. Subscription revenue is recognized in the period of services rendered. Our subscription revenue consists of performance obligations that are satisfied over time. This has been determined based on the fact that the nature of services offered are subscription based where the customer simultaneously receives and consumes the benefit of the services provided regardless of whether the customer uses the services or not. As a result, we have concluded that the best measure of progress toward the complete satisfaction of the performance obligation over time is a time-based measure. We recognize subscription revenue straight-line through the subscription period.

Subscription Services consist of:

<u>Direct subscriber, mobile service provider and mobile app services</u>

We generate revenue for subscription services on both a direct basis and through subscriptions sold through certain third-party mobile service providers and mobile app services (collectively the "Mobile Providers"). For subscriptions sold through the Mobile Providers, the subscriber executes an on-line agreement with Slacker outlining the terms and conditions between Slacker and the subscriber upon purchase of the subscription. The Mobile Providers promote the Slacker app through their e-store, process payments for subscriptions, and retain a percentage of revenue as a fee. We report this revenue gross of the fee retained by the Mobile Providers, as the subscriber is Slacker's customer in the contract and Slacker controls the service prior to the transfer to the subscriber. Subscription revenues from monthly subscriptions sold directly through Mobile Providers are subject to such Mobile Providers' refund or cancellation terms. Revenues from Mobile Providers are recognized net of any such adjustments for variable consideration, including refunds and other fees. Our payment terms vary based on whether the subscription is sold on a direct basis or through Mobile Providers. Subscriptions sold on a direct basis require payment before the services are delivered to the customer. The payment terms for subscriptions sold through Mobile Providers vary, but are generally payable within 30 days.

<u>Third-Party Original Equipment Manufacturers</u>

We generate revenue for subscription services through subscriptions sold through a third-party Original Equipment Manufacturer (the "OEM"). For subscriptions sold through the OEM, the OEM executes an agreement with Slacker outlining the terms and conditions between Slacker and the OEM upon purchase of the subscription. The OEM installs the Slacker app in their equipment and provides the Slacker service to the OEM's customers. The monthly fee charged to the OEM is based upon a fixed rate per vehicle, multiplied by the variable number of total vehicles which have the Slacker application installed. The number of customers, or the variable consideration, is reported by OEMs and resolved on a monthly basis. Our payment terms with OEM are up to 30 days. The OEM does not charge the car owners a fee for the Slacker service.

Advertising Revenue

Advertising revenue primarily consist of revenues generated from the sale of audio, video, and display advertising space to third-party advertising exchanges. Revenues are recognized based on delivery of impressions over the contract period to the third-party exchanges, either when an ad is placed for listening or viewing by a visitor or when the visitor "clicks through" on the advertisement. The advertising exchange companies report the variable advertising revenue on a monthly basis.

Merchandise Revenue

Revenue is recognized upon the transfer of control to the customer. We recognize revenue and measure the transaction price net of taxes collected from customers and remitted to governmental authorities. Sales commissions are expensed as incurred and are recorded in sales and marketing expenses in the consolidated statements of operations. Our customer contracts do not have a significant financing component due to their short durations, which are typically effective for one year or less and have payment terms that are generally 30-60 days. Wholesale revenue is generally recognized when products are shipped, depending on the applicable contract terms. We record a refund liability for expected returns based on prior returns history, recent trends, and projections for returns on sales in the current period. The refund liability at March 31, 2021 was less than $0.1 million.

Licensing Revenue

Licensing revenue primarily consists of sales of licensing rights to digitally stream its live music services in certain geographies (e.g. China). Licensing revenue is recognized when we satisfy our performance obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services, which is typically when the live event has aired. Any license fees collected in advance of an event are deferred until the event airs. We report our licensing revenue on a gross basis as we act as the principal in the underlying transactions.

Ticket/Event Revenue

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

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

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

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period, on a straight-line basis. We use the Black-Scholes-Merton option pricing model to determine the grant date fair value of stock options. This model requires us to estimate the expected volatility and the expected term of the stock options which are highly complex and subjective variables. The variables take into consideration, among other things, actual and projected employee stock option exercise behavior. We use a predicted volatility of its stock price during the expected life of the options that is based on the historical performance of our stock price as well as including an estimate using guideline companies. Expected term is computed using the simplified method as the Company's best estimate given its lack of actual exercise history. We have selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected term of the stock. Stock-based awards are comprised principally of stock options, restricted stock, restricted stock units ("RSUs"), restricted stock awards and warrant grants. Forfeitures are recognized as incurred.

Stock option awards issued to non-employees are accounted for at the grant date fair value determined using the Black-Scholes-Merton option pricing model. Management believes that the fair value of the stock options is more reliably measured than the fair value of the services received. We record the fair value of these equity-based awards and expense at their cost ratably over related vesting periods.

Business Combinations

We account for business combinations using the purchase method of accounting where the cost is allocated to the underlying net tangible and intangible assets acquired, based on their respective fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree are recognized and measured as of the acquisition date at fair value. Additionally, any contingent consideration is recorded at fair value on the acquisition date and classified as a liability. Goodwill is recognized to the extent by which the aggregate of the acquisition-date fair value of the consideration transferred and any noncontrolling interest in the acquiree exceeds the recognized basis of the identifiable assets acquired, net of assumed liabilities. Determining the fair value of assets acquired, liabilities assumed and noncontrolling interests requires management's judgment and often involves the use of significant estimates and assumptions, including, but not limited to, the selection of appropriate valuation methodology, projected revenue, expenses and cash flows, weighted average cost of capital, discount rates, estimates of customer turnover rates and estimates of terminal values.

Commitments and Contingencies

From time to time, we are involved in legal proceedings and other matters arising in connection with the conduct of our business activities. Many of these proceedings may be at preliminary stages and/or seek an indeterminate amount of damages. We regularly evaluate the status of our commitments and contingencies in which we are involved to (i) assess whether a material loss is probable or there is at least a reasonable possibility that a material loss or an additional material loss in excess of a recorded accrual may have been incurred and (ii) determine if financial accruals are required when appropriate. We record an expense accrual for any commitments and loss contingency when we determine that a loss is probable and the amount of the loss can be reasonably estimated. If an expense accrual is not appropriate, we further evaluate each matter to assess whether an estimate of possible loss or range of loss can be made and whether or not any such matter requires additional disclosure. There can be no assurance that any proceeding against us will be resolved in amounts that will not differ from the amounts of estimated exposures. Legal fees and other costs of defending litigation are expensed as incurred.

Non-Income Tax Contingencies

We do not collect and remit sales and use or similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable or legally required.

The June 2018 U.S. Supreme Court ruling in *South Dakota v. Wayfair, Inc., No. 17-494*, along with the application of existing, new or future rulings and laws, could have adverse effects on our business, prospects and operating results.

Long-lived Assets, Goodwill and Intangible Assets with Finite Lives

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination, and allocate the purchase price of each acquired business to its respective net tangible and intangible assets. Acquired intangible assets principally comprise of customer relationships and technology. We determine the appropriate useful life by performing an analysis of expected cash flows based on historical experience of the acquired businesses. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the majority of the economic benefits is expected to be consumed.

Goodwill represents the excess of the purchase consideration of an acquired entity over the fair value of the acquired net assets. Goodwill is tested for impairment annually or when events or circumstances change that would indicate that goodwill might be impaired. Events or circumstances that could trigger an impairment review include, but are not limited to, a significant adverse change in legal factors or in the business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends or significant under-performance relative to expected historical or projected future results of operations.

We evaluate the recoverability of our intangible assets, and other long-lived assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. These trigger events or changes in circumstances include, but are not limited to a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used, significant adverse changes in legal factors, including changes that could result from our inability to renew or replace material agreements with certain of our partners such as Tesla Motors on favorable terms, significant adverse changes in the business climate including changes which may result from adverse shifts in technology in our industry and the impact of competition, a significant adverse deterioration in the amount of revenue or cash flows we expect to generate from an asset group, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of our long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. We perform impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. In making this determination, we consider the specific operating characteristics of the relevant long-lived assets, including (i) the nature of the direct and any indirect revenues generated by the assets; (ii) the interdependency of the revenues generated by the assets; and (iii) the nature and extent of any shared costs necessary to operate the assets in their intended use. An impairment test would be performed when the estimated undiscounted future cash flows expected to result from the use of the asset group is less than its carrying amount. Impairment is measured by assessing the usefulness of an asset by comparing its carrying value to its fair value. If an asset is considered impaired, the impairment loss is measured as the amount by which the carrying value of the asset group exceeds its estimated fair value. Fair value is determined based upon estimated discounted future cash flows. The key estimates applied when preparing cash flow projections relate to revenue, operating margins, economic lives of assets, overheads, taxation and discount rates. To date, we have not recognized any such impairment loss associated with our long-lived assets.

Goodwill is tested for impairment at the reporting unit level, which is the same or one level below an operating segment. In any year we may elect to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If we cannot determine qualitatively that the fair value is in excess of the carrying value, or we decide to bypass the qualitative assessment, we perform a quantitative analysis. The quantitative analysis is used to identify both the existence of impairment and the amount of the impairment loss by comparing the estimated fair value of a reporting unit with its carrying value, including goodwill. The estimated fair value is based on internal projections of expected future cash flows and operating plans, as well as market conditions relative to the operations of our reporting units. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is not impaired; otherwise, an impairment loss is recognized within our consolidated statements of operations in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

Fair Value of Convertible Debt

As of the date of this Annual Report we have several debt instruments outstanding which are convertible into shares of our common stock that include embedded derivatives. Refer to Note 9 – Senior Secured Convertible Debentures, Note 10 – Unsecured Convertible Notes, and Note 11 – Senior Secured Convertible Notes, to our consolidated financial statements included elsewhere in this Annual Report. We measure the embedded derivatives associated with the convertible debt instruments at fair value, as described in the aforementioned notes to the consolidated financial statements. We have estimated the fair value of the convertible debt instruments to be equal to their carrying values and have not elected the fair value option for these instruments.

The fair value of the embedded derivatives, which are carried at fair value, was estimated using a yield method, including assumptions of probabilities of default and recovery rates. The fair value of the convertible debt instruments, which are carried at amortized cost, was estimated using a binomial lattice model, including assumptions of volatility and risk-free rates. For further discussion see Note 20 – Fair Value Measurements to our consolidated financial statements included elsewhere in this Annual Report.

Liquidity and Capital Resources

Current Financial Condition

As of March 31, 2021, our principal sources of liquidity were our cash and cash equivalents, including restricted cash balances in the amount of $18.8 million, which primarily are invested in cash in banking institutions in the U.S. The vast majority of our cash proceeds were received as a result of operations, the issuance of convertible notes, public offerings of our common shares, and PPP loans. As of March 31, 2021, we had notes payable of $3.6 million, secured convertible notes with aggregate principal amount of $15.0 million and unsecured convertible notes with aggregate principal balances of $7.5 million.

As reflected in our consolidated financial statements included elsewhere in this Annual Report, we have a history of losses and incurred a net loss of $41.8 million and utilized cash of $9.5 million in operating activities for the year ended March 31, 2021 and had a working capital deficiency of $15.7 million as of March 31, 2021. These factors, among others, raise substantial doubt about our ability to continue as a going concern within one year from the date that the financial statements are issued. Our consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to execute our strategy and on our ability to raise additional funds through the sale of equity and/or debt securities via public and/or private offerings.

Our long-term ability to continue as a going concern is dependent upon our ability to increase revenue, reduce costs, achieve a satisfactory level of profitable operations, and obtain additional sources of suitable and adequate financing. Our ability to continue as a going concern is also dependent its ability to further develop and execute on our business plan. We may also have to reduce certain overhead costs through the reduction of salaries and other means and settle liabilities through negotiation. There can be no assurance that management's attempts at any or all of these endeavors will be successful.

Sources of Liquidity

In April 2020, we received approximately $2.0 million pursuant to the PPP promulgated under the CARES Act (the "PPP Loan"). The PPP Loan matures on April 13, 2022 and bears interest at a rate of 1% per annum. Commencing in November 2020, we are required to pay the lender equal monthly payments of principal and interest as required to fully amortize by the maturity date the principal amount outstanding on the PPP Loan as of such date. All or a portion of the PPP Loan may be forgiven by the U.S. Small Business Administration ("SBA") upon our application and upon documentation of expenditures in accordance with the SBA requirements. On April 24, 2021, the Company received confirmation that the entire balance of the loan was forgiven.

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

On July 1, 2020, we acquired PodcastOne and the $0.8 million PPP loan originally obtained by PodcastOne is currently outstanding. Monthly payments including principle and interest begin 12 months from the date of the promissory note April 26, 2020. The balance is payable 2 years from the date of the promissory note, and bears interest at a rate of 1% per annum. On May 11, 2021, the Company received confirmation that the entire balance of the loan was forgiven.

In July 2020, we completed a registered offering with an existing institutional investor, another investor and a music partner pursuant to which we sold 1,820,000 shares of our common stock to the investors for net cash proceeds of $7.3 million and issued 2,415,459 shares of our common stock to partially satisfy a $10.0 million vendor payment obligation to such music partner, each at a price of $3.28 per share (the "July 2020 Offering"). The July 2020 Offering was made pursuant to our existing shelf Registration Statement on Form S-3 (File No. 333-228909).

On August 31, 2020, we fully repaid the senior secured convertible debentures. In connection with such repayment, all of the agreements among us, our subsidiary guarantors and the senior lenders and their collateral agent were terminated, provided, that our indemnification obligations in the Securities Purchase Agreement, dated as of June 20, 2018, as amended, between us and the senior lenders survive on the terms therein. Additionally, a prepayment penalty of 8% was paid on repayment of the senior secured convertible debentures in the amount of $0.7 million as interest expense in the accompanying consolidated statement of operations.

Effective as of September 15, 2020, we completed the sale and issuance of our senior secured convertible notes in the aggregate principal amount of $15.0 million to designees of a certain existing institutional investor, for cash gross proceeds of $15.0 million. The senior secured convertible notes mature on September 15, 2022, accrue interest at 8.5% per year with interest is payable quarterly in cash in arrears, and are convertible into shares of our common stock at a conversion price of $4.50 per share at the holder's option, subject to certain customary adjustments such as stock splits, stock dividends and stock combinations.

On December 22, 2020, we acquired 100% of the equity interests of CPS for total consideration of 2,230,769 shares of the Company's restricted common stock with a fair value of $6.4 million net of a 25% discount for lack of marketability, an additional 577,000 shares of our restricted common stock if CPS reports GAAP revenue of $20.0 million and $1.0 million of EBITDA for its fiscal year ended December 31, 2020, and an additional 110,000 shares of our restricted common stock to the extent CPS' final working capital as determined by the parties exceeds $4.0 million with a dollar-for-dollar reduction with respect to each such shortfall with no duplication.

On January 11, 2021, we entered into an additional Amendment of Notes Agreement (the "Third Amendment Agreement") with Trinad Capital pursuant to which the maturity dates of all of the Trinad Notes were extended to May 31, 2022, and in consideration of such extension, the interest rate payable under such notes increased to 8.5%, and we agreed to issue to Trinad Capital 280,000 shares of our common stock. We may not redeem the any of the Trinad Notes prior to May 31, 2022 without Trinad Capital's consent.

In March 2021, the Company obtained an additional PPP loan totaling $0.6 million through the Consolidated Appropriations Act ("CAA"). The terms of this loan is on comparable terms to the prior PPP loans obtained under the CARES Act.

Our cash flows from operating activities are significantly affected by our cash-based investments in our operations, including acquiring live music events and festivals rights, our working capital, and corporate infrastructure to support our ability to generate revenue and conduct operations through cost of services, product development, sales and marketing and general and administrative activities. Cash used in investing activities has historically been, and is expected to be, impacted significantly by our investments in business combinations, our platform, and our infrastructure and equipment for our business offerings, and sale of our investments. We expect to make additional strategic acquisitions to further grow our business, which may require significant investments, capital raising and/or acquisition of additional debt in the near and long term. Over the next twelve to eighteen months, our net use of our working capital could be substantially higher or lower depending on the number and timing of new live festivals and paid subscribers that we add to our businesses.

In the future, we may utilize additional commercial financings, bonds, debentures, lines of credit and term loans with a syndicate of commercial banks or other bank syndicates and/or issue equity securities (publicly or privately) for general corporate purposes, including acquisitions and investing in our intangible assets, music equipment, platform and technologies. We may also use our current cash and cash equivalents to repurchase some or all of our unsecured convertible notes, and pay down our debt, in part or in full, subject to repayment limitation set forth in the credit agreement. Management plans to fund its operations over the next twelve months through the combination of improved operating results, spending rationalization, and the ability to access sources of capital such as through the issuance of equity and/or debt securities. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to us. We filed a universal shelf Registration Statement on Form S-3, effective February 7, 2019, allowing us to issue various types of securities, including common stock, preferred stock, warrants, debt securities, units, or any combination of such securities, up to an aggregate amount of $150 million.

Credit Agreement and Other Debt

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

Off-Balance Sheet Arrangements

As of March 31, 2021, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Sources and Uses of Cash

The following table provides information regarding our cash flows for the fiscal years ended March 31, 2021 and 2020 (in thousands):

	Year Ended March 31,	
	2021	**2020**
Net cash used in operating activities	$ (9,508)	$ (4,894)
Net cash used in by investing activities	(791)	(2,437)
Net cash provided by financing activities	16,632	5,829
Net change in cash and cash equivalents	$ 6,333	$ (1,502)

Cash Used In Operating Activities

Net cash used in our operating activities for 2021 of $9.5 million primarily resulted from our net loss during the period of $41.8 million, which included non-cash charges of $27.5 million largely comprised of depreciation and amortization, stock-based compensation, and the change in fair value of embedded derivatives. The remainder of our sources of cash provided by operating activities of $4.8 million was from changes in our working capital, including $3.4 million from timing of accounts receivable and $2.4 million from timing of accounts payable and accrued expenses.

Cash Flows Used In Investing Activities

Net cash used in investing activities for 2021 of $0.8 million was principally due to the $3.2 million cash used for the purchase of capitalized internally developed software costs during the year ended March 31, 2021, net of cash acquired in the acquisitions of PodcastOne and CPS of $2.4 million.

Cash Flows Provided By Financing Activities

Net cash provided by financing activities for 2021 of $16.6 million was primarily due to proceeds of $15 million from the issuance of secured convertible notes, $7.5 million from the issuance of common stock, and $2.6 million from the exercise of stock options, partially offset by the repayment of senior secured convertible debentures of $10.8 million.

Contractual Obligations

The following table summarizes our contractual obligations that require us to make future cash payments as of March 31, 2021. The future contractual requirements include payments required for our operating leases and contractual purchase agreements (in thousands):

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations					
Operating lease obligations	$ 1,167	$ 396	$ 771	$ -	$ -
Content and Festival Fees and Guarantees and Contractual Obligations (1)	19,756	7,567	6,533	5,656	-
Deferred revenue arrangements (2)	1,262	1,262	-	-	-
Long-term debt obligations (3)	25,180	4,735	19,861	584	-
Total	$ 47,365	$ 13,960	$ 27,165	$ 6,240	$ -

(1) Amounts represent minimum guarantees and contractual obligations associated with licensing, production and/or distribution agreements for digital broadcast rights across certain events.

(2) Amounts represent obligations to provide service for which we have already received in cash from our customers.

(3) Excludes amounts pertaining to the interest on unsecured convertible notes and notes payable. See also Note 8 – Note Payable, Note 9 – Senior Secured Convertible Debentures, Note 10 – Unsecured Convertible Notes, and Note 11 – Senior Secured Convertible Notes included in our consolidated financial statements included elsewhere in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
LiveXLive Media, Inc.
Beverly Hills, CA

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of LiveXLive Media, Inc. (the "Company") as of March 31, 2021 and 2020, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern Uncertainty

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

Basis for Opinion

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

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

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

Critical Audit Matters

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

Accounting for Business Combinations

As described in Notes 1 and 4 to the consolidated financial statements, on July 1, 2020 the Company acquired 100% of the equity interests of Courtside Group, Inc. (dba PodcastOne) for net consideration of $16.1 million including $1.1 million of contingent consideration and on December 22, 2020 acquired 100% of the equity interests of Custom Personalization Solutions, Inc. (CPS) for net consideration of $8.4 million. Management applied significant judgment in estimating the fair value of the intangible assets acquired from PodcastOne and CPS and estimating the fair value of the contingent consideration payable to the sellers of PodcastOne which required the use of significant estimates and assumptions.

We have identified the estimation of the fair value of identifiable intangible assets acquired from PodcastOne and CPS and the contingent consideration payable to the sellers of PodcastOne as a critical audit matter. The Company's estimation of the acquisition date fair values of certain identifiable intangible assets and contingent consideration is complex, requires management's judgment and involves the use of significant estimates and assumptions, including, selection of the appropriate valuation methodology, revenue, expense, cash flow projections, royalty rates, and discount rates. Additionally, the valuation of the contingent consideration payable to the sellers of PodcastOne required complex management judgement with respect to certain inputs used in the valuation model such as the credit yield. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skills and knowledge needed.

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

- Evaluating the reasonableness of significant underlying assumptions of revenue, expense, and cash flow projections by comparing them to the historical performance of the acquired businesses, relevant market industry data and other relevant supporting documentation.
- Utilizing personnel with specialized skills and knowledge in valuation to assist in: (i) assessing the appropriateness of valuation models used by management to determine the fair values of certain intangible assets acquired, and (ii) evaluating the reasonableness of certain significant assumptions incorporated into the valuation model, including royalty rates and discount rates.
- Utilizing personnel with specialized skills and knowledge in valuation to assist in: (i) assessing the appropriateness of the Monte Carlo simulation used by management to determine the fair value of the contingent consideration payable to the sellers of PodcastOne, (ii) evaluating the reasonableness of certain significant assumptions incorporated into the valuation model, including the credit yield, and (iii) performing a sensitivity analysis and evaluating the potential effect of changes in certain critical assumptions on the fair value calculations.

Senior Secured Convertible Notes

As described in Notes 11 and 20 to the consolidated financial statements, on September 15, 2020 the Company issued two-year 8.5% senior secured convertible notes in the aggregate principal amount of $15.0 million. In accounting for the issuance of the notes, the Company concluded there was an embedded derivative that required bifurcation.

We have identified the accounting evaluation and the related estimation of the fair value of the embedded derivative of the senior secured convertible notes as a critical audit matter. Accounting for the senior secured notes required significant management judgment in evaluating the key contract terms and the application of the appropriate accounting guidance. Determination of the fair value of the embedded derivative required management judgement with respect to certain inputs used in the valuation model such as the market yield. Auditing these elements involved especially challenging auditor judgment due to the nature and extent of audit effort required to address these matters, including the extent of specialized skills and knowledge needed.

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

- Utilizing personnel with specialized knowledge and experience in technical accounting to assist in: (i) evaluating the relevant contact terms and features of the senior secured convertible notes, and (ii) assessing the appropriateness of conclusions reached by management with respect to the accounting for the notes and the identification, assessment and accounting for the embedded derivative.
- Utilizing personnel with specialized knowledge and skill in valuation to assist in assessing the appropriateness of the valuation model utilized by management to determine the fair value of the embedded derivative and assessing the reasonableness of assumptions incorporated into the valuation model including market yield.

/s/ BDO USA, LLP
We have served as the Company's auditor since 2018.
Los Angeles, California
July 14, 2021

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

	March 31, 2021	March 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	$ 18,635	$ 5,702
Restricted cash	135	6,735
Accounts receivable, net	10,567	3,889
Inventories	2,568	-
Prepaid expense and other assets	3,366	1,396
Total Current Assets	35,271	17,722
Property and equipment, net	4,367	3,397
Goodwill	22,619	9,672
Intangible assets, net	22,468	23,198
Other assets	1,044	127
Total Assets	$ 85,769	$ 54,116
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable and accrued liabilities	$ 32,646	$ 30,723
Accrued royalties	12,349	13,071
Note payable	2,729	331
Deferred revenue	1,262	949
Senior secured convertible debentures, net	-	2,720
Unsecured convertible notes, net	1,976	-
Total Current Liabilities	50,962	47,794
Senior secured convertible debentures, net	-	6,505
Senior secured convertible notes, net	13,047	-
Unsecured convertible notes, net	5,501	6,794
Notes payable, net	885	-
Lease liabilities, noncurrent	742	45
Due to Music Partner	3,937	-
Other long-term liabilities	2,422	-
Deferred income taxes	137	108
Total Liabilities	77,633	61,246
Commitments and Contingencies (Note 15)		
Stockholders' Equity (Deficit)		
Preferred stock, $0.001 par value; 10,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, $0.001 par value; 500,000,000 shares authorized; 76,807,898 and 58,984,382 shares issued and outstanding, respectively	77	59
Additional paid in capital	178,000	120,932
Accumulated deficit	(169,941)	(128,121)
Total stockholders' equity (deficit)	8,136	(7,130)
Total Liabilities and Stockholders' Equity (Deficit)	$ 85,769	$ 54,116

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

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

	Year Ended March 31, 2021	Year Ended March 31, 2020
Revenue:	$ 65,230	$ 38,659
Operating expenses:		
Cost of sales	48,987	32,786
Sales and marketing	9,517	6,255
Product development	9,680	10,767
General and administrative	20,831	19,120
Amortization of intangible assets	5,585	5,726
Total operating expenses	94,600	74,654
Loss from operations	(29,370)	(35,995)
Other expense:		
Interest expense, net	(5,303)	(3,738)
Loss on extinguishment of debt	(5,180)	-
Other expense	(2,312)	614
Total other expense, net	(12,795)	(3,124)
Loss before income tax benefit	(42,165)	(39,119)
Income tax benefit	(345)	(192)
Net loss	$ (41,820)	$ (38,927)
Net loss per share – basic and diluted	$ (0.61)	$ (0.69)
Weighted average common shares – basic and diluted	69,040,055	56,206,107

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

LiveXLive Media, Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
For the Years Ended March 31, 2021 and 2020
(In thousands, except share and per share amounts)

	Common stock		Additional Paid in	Accumulated	Total Stockholders' Equity
	Shares	Amount	Capital	Deficit	(Deficit)
Balance as of April 1, 2019	**52,275,236**	**$ 52**	**$ 98,605**	**$ (89,194)**	**$ 9,463**
Shares issued to consultants and vendors	1,709,146	2	4,668	-	**4,670**
Stock-based compensation	-	-	7,982	-	**7,982**
Interest paid in kind	-	-	29	-	**29**
Shares issued in the public offering, net of cost	5,000,000	5	9,518	-	**9,523**
Conversion feature recorded as debt discount	-	-	130	-	**130**
Net loss	-	-	-	(38,927)	**(38,927)**
Balance as of March 31, 2020	**58,984,382**	**59**	**120,932**	**(128,121)**	**(7,130)**
Shares issued to vendors	2,782,116	3	8,816	-	**8,819**
Stock-based compensation	1,279,210	1	11,110	-	**11,111**
Interest paid in kind	-	-	33	-	**33**
Shares issued in offering, net of cost	1,820,000	2	7,329	-	**7,331**
Shares issued in connection with PodcastOne acquisition	5,566,885	6	14,985	-	**14,991**
Shares issued in connection with CPS acquisition	2,230,769	2	6,702	-	**6,704**
Shares issued in connection with Senior Secured Convertible Notes and Unsecured Convertible Notes	1,080,000	1	1,860	-	**1,861**
Unsecured Convertible Note Premium	-	-	3,677	-	**3,677**
Shares issued pursuant to restricted stock units	2,410,286	2	(2)	-	**-**
Shares issued pursuant to stock options	654,250	1	2,558	-	**2,559**
Net loss	-	-	-	(41,820)	**(41,820)**
Balance as of March 31, 2021	**76,807,898**	**$ 77**	**$ 178,000**	**$ (169,941)**	**$ 8,136**

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

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

	Year Ended March 31, 2021	Year Ended March 31, 2020
Cash Flows from Operating Activities:		
Net loss	$ (41,820)	$ (38,927)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,770	8,020
Interest paid in kind	33	29
Stock-based compensation	11,282	12,027
Change in fair value of bifurcated embedded derivatives	(977)	14
Amortization of debt discount	1,433	824
Deferred income taxes	(359)	(103)
Change in fair value of contingent consideration liability	2,174	-
Loss on extinguishment of debt	5,180	-
Gain on bargain purchase	-	(511)
Changes in operating assets and liabilities:		
Accounts receivable	3,426	525
Prepaid expenses and other current assets	(1,288)	50
Inventories	32	-
Deferred revenue	278	(1)
Accounts payable and accrued liabilities	2,328	13,159
Net cash used in operating activities	(9,508)	(4,894)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(3,209)	(2,575)
Cash acquired in acquisition of PodcastOne	1,286	-
Cash acquired in acquisition of CPS	1,132	-
Cash acquired in acquisition of React Presents	-	138
Net cash used in investing activities	(791)	(2,437)
Cash Flows from Financing Activities:		
Repayment of senior secured convertible debentures payable	(10,823)	(2,984)
Proceeds from senior secured convertible notes and issuance of shares of common stock	15,000	-
Proceeds from notes payable	2,742	-
Debt issuance costs	(190)	-
Proceeds from issuance of shares of common stock	7,534	9,523
Proceeds from exercise of stock options	2,559	-
Payments on capital lease liability	(190)	-
Senior secured convertible debenture amendment costs	-	(710)
Net cash provided by financing activities	16,632	5,829
Net increase (decrease) in cash, cash equivalents and restricted cash	6,333	(1,502)
Cash, cash equivalents and restricted cash, beginning of period	12,437	13,939
Cash, cash equivalents and restricted cash, end of period	$ 18,770	$ 12,437
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ 17
Cash paid for interest	$ 969	$ 1,517
Supplemental disclosure of non-cash investing and financing activities:		
Conversion features recorded as debt discount	$ -	$ 130
Fair value of 1,080,000 shares issued in connection with Senior Secured Convertible Notes and Unsecured Convertible Notes	1,861	-
Fair value of options issued to employees, capitalized as internally-developed software	$ 241	$ 378
Fair value of 5,566,885 shares of common stock issued in connection with PodcastOne acquisition	$ 14,991	$ -
Fair value of 2,230,769 shares of common stock issued in connection with CPS acquisition	6,391	-
Non-cash settlement for issuable or prepaid shares	$ 283	$ -

2,782,116 shares of common stock issued to consultant and vendors to settle accounts payable	$ 8,816	-
Common stock issued to senior secured convertible debenture holders	-	$ 560
Fair value of promissory note issued in React Presents acquisition	-	$ 1,541

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

Note 1 — Organization and Basis of Presentation

Organization

LiveXLive Media, Inc. ("LiveXLive") together with its subsidiaries ("we," "us," "our" or the "Company") is a Delaware corporation headquartered in Beverly Hills, California. The Company is a global platform for livestream and on-demand audio, video and podcast content in music, comedy and pop culture.

The Company was reincorporated in the State of Delaware on August 2, 2017, pursuant to a reincorporation merger of Loton, Corp ("Loton") with and into LiveXLive, Loton's wholly owned subsidiary at the time. As a result of the reincorporation merger, Loton ceased to exist as a separate entity, with LiveXLive being the surviving entity. In addition, on December 29, 2017, LiveXLive acquired Slacker, Inc. ("Slacker"), an Internet music and radio streaming service incorporated in the state of Delaware, and it became a wholly owned subsidiary of LiveXLive. On February 5, 2020, LiveXLive's wholly owned subsidiary, LiveXLive Events, LLC ("LiveXLive Events"), acquired (i) React Presents, LLC a Delaware limited liability company ("React Presents"), and it became a wholly owned subsidiary of LiveXLive Events, and (ii) indirectly Spring Awakening, LLC, which is a wholly owned subsidiary of React Presents, a producer, promoter and manager of in person live music festivals and events. On July 1, 2020, the Company through its wholly owned subsidiary, LiveXLive PodcastOne, Inc., acquired 100% of the issued and outstanding equity interests of Courtside Group, Inc. (dba PodcastOne) ("PodcastOne") (see Note 4 – Business Combinations). On December 22, 2020, the Company through its wholly owned subsidiary LiveXLive Merchandising, Inc., acquired 100% of the issued and outstanding equity interests of Custom Personalization Solutions, Inc. ("CPS"). (see Note 4 – Business Combinations).

Basis of Presentation

The presented financial information for the fiscal year ended March 31, 2021 includes the financial information and activities of LiveXLive and React Presents for the full year and PodcastOne and CPS from the effective date of their acquisitions.

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Acquisitions are included in the Company's consolidated financial statements from the date of the acquisition. The Company uses purchase accounting for its acquisitions, which results in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates. See the Company's accounting policy "*Business Combinations"* within Note 2 – Summary of Significant Accounting Policies. All intercompany balances and transactions have been eliminated in consolidation.

Going Concern and Liquidity

The Company's consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, realization of assets, and liquidation of liabilities in the normal course of business.

The Company's principal sources of liquidity have historically been its debt and equity issuances and its cash and cash equivalents (which cash, cash equivalents and restricted cash amounted to $18.8 million as of March 31, 2021). As reflected in its consolidated financial statements included elsewhere herein, the Company has a history of losses, incurred a net loss of $41.8 million, and utilized cash of $9.5 million in operating activities for the year ended March 31, 2021, and had a working capital deficiency of $15.7 million as of March 31, 2021. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern within one year from the date that these financial statements are filed. The Company's consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's ability to continue as a going concern is dependent on its ability to execute its growth strategy and on its ability to raise additional funds. The Company filed a universal shelf Registration Statement on Form S-3 which became effective in February 2019 to raise up to $150.0 million in cash from the sale of equity, debt and/or other financial instruments, of which $121.5 million is remaining. The continued spread of COVID-19 and uncertain market conditions may limit the Company's ability to access capital, may reduce demand for its services, and may negatively impact its ability to retain key personnel. During the year ended March 31, 2021, the Company sold 1,820,000 shares of its common stock to certain institutional investors for gross proceeds of $7.5 million. Management is currently seeking additional funds, primarily through the issuance of equity and/or debt securities for cash to operate the Company's business. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to it. Even if the Company is able to obtain additional financing, it may contain terms that result in undue restrictions on its operations, in the case of debt financing or cause substantial dilution for its stockholders, in case of equity and/or convertible debt financing. The Company may also have to reduce certain overhead costs through the reduction of salaries and other means and settle liabilities through negotiation. There can be no assurance that management's attempts at any or all of these endeavors will be successful.

Note 2 — Summary of Significant Accounting Policies

COVID-19

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus disease ("COVID-19") as a pandemic. The global impact of the COVID-19 pandemic has had a negative effect on the global economy, disrupting the financial markets creating increasing volatility and overall uncertainty. The Company began to experience modest adverse impacts of the COVID-19 pandemic in the fourth quarter of fiscal year ended March 31, 2020 and became more adverse throughout the fiscal year ended March 31, 2021. Although the impact has subsided, the Company expects to continue experiencing modest adverse impacts throughout the fiscal year ending March 31, 2022. The Company's event and programmatic advertising revenues were directly impacted throughout the 2021 fiscal year with all on-premise in-person live music festivals and events postponed and mixed demand from historical advertising partners. Further, one of the Company's larger customers also experienced a temporary halt to its production as a result of COVID-19, which negatively impacted the Company's near-term subscriber growth in the 2021 fiscal year. During the fiscal year ended March 31, 2021, the Company enacted several initiatives to counteract these near-term challenges, including salary reductions, obtaining a Paycheck Protection Program loan (see Note 8 - Notes Payable) and pivoting its live music production to 100% digital. The Company began producing, curating, and broadcasting digital music festivals and events across its platform which has resulted in the growth in the number of live events streamed, related sponsorship revenue and overall viewership. The Company also launched a new pay-per-view ("PPV) offering in May 2020, enabling new forms of artist revenue including digital tickets, tipping, digital meet and greet and merchandise sales. However, there is uncertainty as to the duration and overall impact of the COVID-19 pandemic, which could result in an adverse material change in a future period to the Company's results of operations, financial position and liquidity.

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

On December 29, 2020 the Consolidated Appropriations Act ("CAA") was enacted in the United States. The CAA provides numerous tax provisions and most notably for the Company changes the tax treatment of those expenses paid for with a PPP loan from non-deductible to deductible. The Company is in the process of evaluating the provisions of the CAA including second draw Paycheck Protection Program loans and potential eligibility for Employee Retention Credits and does not anticipate the other provisions included will have a material impact on its provision for income taxes.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with the United States of America ("US") generally accepted accounting principles ("GAAP") requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include revenue, allowance for doubtful accounts, the assigned value of acquired assets and assumed and contingent liabilities associated with business combinations and the related purchase price allocation, useful lives and impairment of property and equipment, intangible assets, goodwill and other assets, inventory calculations and reserves, the fair value of the Company's equity-based compensation awards and convertible debt and debenture instruments, fair values of derivatives, and contingencies. Actual results could differ materially from those estimates. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities. Given the overall uncertainty surrounding the COVID-19 pandemic, there is a reasonable possibility that actual results could differ from those estimates and such differences could be material to the financial position and results of operations, specifically in assessing when the collectability of revenue related consideration is probable, and the impairment assessment of goodwill, indefinite lived assets or long-lived assets that are depreciated or amortized.

Revenue Recognition Policy

The Company accounts for a contract with a customer when an approved contract exists, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of substantially all of the consideration is probable. Revenue is recognized when the Company satisfies its obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company uses the expected value method to estimate the value of variable consideration on advertising and with original equipment manufacturer contracts to include in the transaction price and reflect changes to such estimates in periods in which they occur. Variable consideration for these services is allocated to and recognized over the related time period such advertising and subscription services are rendered as the amounts reflect the consideration the Company is entitled to and relate specifically to the Company's efforts to satisfy its performance obligation. The amount of variable consideration included in revenue is limited to the extent that it is probable that the amount will not be subject to significant reversal when the uncertainty associated with the variable consideration is subsequently resolved.

Practical Expedients

The Company elected the practical expedient and recognized the incremental costs of obtaining a contract, if any, as an expense when incurred if the amortization period of the asset that would have been recognized is one year or less.

Gross Versus Net Revenue Recognition

The Company reports revenue on a gross or net basis based on management's assessment of whether the Company acts as a principal or agent in the transaction and is evaluated on a transaction by transaction basis. To the extent the Company acts as the principal, revenue is reported on a gross basis net of any sales tax from customers, when applicable. The determination of whether the Company acts as a principal or an agent in a transaction is based on an evaluation of whether the Company controls the good or service prior to transfer to the customer. Where applicable, the Company has determined that it acts as the principal in all of its subscription service, sponsorship, and merchandising streams and may act as principal or agent for its ticketing/live events, advertising and licensing revenue streams.

The Company's revenue is principally derived from the following services:

Subscription Services

Subscription services revenue substantially consist of monthly to annual recurring subscription fees, which are primarily paid in advance by credit card or through direct billings arrangements. The Company defers the portions of monthly to annual recurring subscription fees collected in advance and recognizes them in the period earned. Subscription revenue is recognized in the period of services rendered. The Company's subscription revenue consists of performance obligations that are satisfied over time. This has been determined based on the fact that the nature of services offered are subscription based where the customer simultaneously receives and consumes the benefit of the services provided regardless of whether the customer uses the services or not. As a result, the Company has concluded that the best measure of progress toward the complete satisfaction of the performance obligation over time is a time-based measure. The Company recognizes subscription revenue straight-line through the subscription period.

Subscription Services consist of:

Direct subscriber, mobile service provider and mobile app services

The Company generates revenue for subscription services on both a direct basis and through subscriptions sold through certain third-party mobile service providers and mobile app services (collectively the “Mobile Providers”). For subscriptions sold through the Mobile Providers, the subscriber executes an on-line agreement with Slacker outlining the terms and conditions between Slacker and the subscriber upon purchase of the subscription. The Mobile Providers promote the Slacker app through their e-store, process payments for subscriptions, and retain a percentage of revenue as a fee. The Company reports this revenue gross of the fee retained by the Mobile Providers, as the subscriber is Slacker’s customer in the contract and Slacker controls the service prior to the transfer to the subscriber. Subscription revenues from monthly subscriptions sold directly through Mobile Providers are subject to such Mobile Providers’ refund or cancellation terms. Revenues from Mobile Providers are recognized net of any such adjustments for variable consideration, including refunds and other fees. The Company’s payment terms vary based on whether the subscription is sold on a direct basis or through Mobile Providers. Subscriptions sold on a direct basis require payment before the services are delivered to the customer. The payment terms for subscriptions sold through Mobile Providers vary, but are generally payable within 30 days.

Third-Party Original Equipment Manufacturers

The Company generates revenue for subscription services through subscriptions sold through a third-party Original Equipment Manufacturer (the “OEM”). For subscriptions sold through the OEM, the OEM executes an agreement with Slacker outlining the terms and conditions between Slacker and the OEM upon purchase of the subscription. The OEM installs the Slacker app in their equipment and provides the Slacker service to the OEM’s customers. The monthly fee charged to the OEM is based upon a fixed rate per vehicle, multiplied by the variable number of total vehicles which have signed up for a paid subscription. The number of customers, or the variable consideration, is reported by OEMs and resolved on a monthly basis. The Company’s payment terms with OEM are up to 30 days.

Advertising Revenue

Advertising revenue primarily consist of revenues generated from the sale of audio, video, and display advertising space to third-party advertising exchanges. Revenues are recognized based on delivery of impressions over the contract period to the third-party exchanges, either when an ad is placed for listening or viewing by a visitor or when the visitor “clicks through” on the advertisement. The advertising exchange companies report the variable advertising revenue performed on a monthly basis which represents the Company’s efforts to satisfy the performance obligation. Additionally, following the acquisition of PodcastOne, the Company began deriving revenue from podcast advertising. PodcastOne earns advertising revenues primarily for fees earned from advertisement placement purchased by the customer during the time the podcast is delivered to the viewing audience, under the terms and conditions as set forth in the applicable podcasting agreement calculated using impressions.

From time to time we enter into barter transactions involving advertising provided in exchange for goods and services. Revenue from barter transactions is recognized based on delivery of impressions and in the same manner as described above. Services received are charged to expense when received or utilized. If services are received prior to the delivery of impressions, a liability is recorded. If delivery of impressions have occurred before the receipt of goods or services, a receivable is recorded. Total revenues related to barter transactions were $3.5 million for the year ended March 31, 2021. We did not enter into any barter transactions during the year ended March 31, 2020.

Licensing Revenue

Licensing revenue primarily consists of sales of licensing rights to digitally stream its live music services. Licensing revenue is recognized when the Company satisfies its performance obligation by transferring control of the goods or services to its customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, which is typically when the live event has aired. Any license fees collected in advance of an event are deferred until the event airs.

Sponsorship Revenue

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

Merchandising Revenue

Revenue is recognized upon the transfer of control to the customer. The Company recognizes revenue and measures the transaction price net of taxes collected from customers and remitted to governmental authorities. Sales commissions are expensed as incurred and are recorded in sales and marketing expenses in the consolidated statements of operations. The Company's customer contracts do not have a significant financing component due to their short durations, which are typically effective for one year or less and have payment terms that are generally 30 to 60 days. Wholesale revenue is generally recognized when products are shipped, depending on the applicable contract terms. The Company records a refund liability for expected returns based on prior returns history, recent trends, and projections for returns on sales in the current period. The refund liability at March 31, 2021 was less than $0.1 million.

Ticket/Event Revenue

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

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

Revenue from our ticketing operations primarily consists of service fees charged at the time a ticket for an event is sold in either the primary or secondary markets, including both online pay-per-view ("PPV") tickets as well as ticket physically purchased through a ticket sale vendor. For primary tickets sold to the Company's PPV and festival events the revenue for the associated ticket service charges collected in advance of the event is recorded as deferred revenue until the event occurs. For PPV arrangements that include multiple performance obligations, i.e. delivery of the online stream, sponsorships, digital meet and greet, or physical merchandise, we allocate the total contract consideration to each performance obligation using the standalone selling price. If the standalone selling price is not readily determinable, it is estimated using observable inputs including an adjusted market based approach, expected cost plus margin, or the residual approach.

<u>Cost of Sales</u>

Cost of Sales principally consist of royalties paid for the right to stream video, music and non-music content to the Company's customers and the cost of securing the rights to produce and stream live events from venues and promoters. Royalties are calculated using negotiated and regulatory rates documented in content license agreements and are based on usage measures or revenue earned. Music royalties to record labels, professional rights organizations and music publishers relate to the consumption of music listened to on Slacker's radio services. As of March 31, 2021, and 2020, the Company accrued $12.3 million and $13.1 million of royalties, respectively, due to artists from use of Slacker's radio services.

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

<u>Sales and Marketing</u>

Sales and Marketing include the direct and indirect costs related to the Company's product and event advertising and marketing. Additionally, sales and marketing include merchandising advertising and royalty costs.

<u>Product Development</u>

Product development costs primarily are expenses for research and development, product and content development activities, including internal software development and improvement costs which have not been capitalized by the Company.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period, on an accelerated basis. The Company accounts for awards with graded vesting as if each vesting tranche is valued as a separate award. The Company uses the Black-Scholes-Merton option pricing model to determine the grant date fair value of stock options. This model requires the Company to estimate the expected volatility and the expected term of the stock options which are highly complex and subjective variables. The variables take into consideration, among other things, actual and projected employee stock option exercise behavior. The Company uses a predicted volatility of its stock price during the expected life of the options that is based on the historical performance of the Company's stock price as well as including an estimate using guideline companies. The expected term is computed using the simplified method as the Company's best estimate given its lack of actual exercise history. The Company has selected a risk-free rate based on the implied yield available on U.S. Treasury securities with a maturity equivalent to the expected term of the stock. Compensation expense resulting from granted restricted stock units and restricted stock awards is measured at fair value on the date of grant and is recognized as share-based compensation expense over the applicable vesting period. Stock-based awards are comprised principally of stock options, restricted stock, restricted stock units ("RSUs"), and restricted stock awards ("RSAs"). Forfeitures are recognized as incurred.

Stock option awards issued to non-employees are accounted for at grant date fair value determined using the Black-Scholes-Merton option pricing model. Management believes that the fair value of the stock options is more reliably measured than the fair value of the services received. The Company records the fair value of these equity-based awards and expense at their cost ratably over related vesting periods.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Company's Statements of Operations in the period that includes the enactment date.

Net Income (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the weighted-average number of common shares and the dilutive effect of contingent shares outstanding during the period. Potentially dilutive contingent shares, which primarily consist of stock options issued to employees, directors and consultants, restricted stock units, warrants issued to third parties and accounted for as equity instruments and convertible notes would be excluded from the diluted earnings per share calculation because their effect is anti-dilutive.

At March 31, 2021 and 2020, the Company had 0 and 167,363 warrants outstanding, 3,946,584 and 4,428,334 options outstanding, respectively, 4,512,916 and 4,530,705 restricted stock units outstanding, respectively, 0 and 24,675 restricted stock awards outstanding, respectively, and 5,723,685 and 4,206,437 shares of common stock issuable underlying the Company's convertible notes and convertible debentures, respectively.

Business Combinations

The Company accounts for its business combinations using the acquisition method of accounting where the purchase consideration is allocated to the underlying net tangible and intangible assets acquired, based on their respective fair values. The excess of the purchase consideration over the estimated fair values of the net assets acquired is recorded as goodwill. Identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree are recognized and measured as of the acquisition date at fair value. Additionally, any contingent consideration is recorded at fair value on the acquisition date and classified as a liability. Goodwill is recognized to the extent by which the aggregate of the acquisition-date fair value of the consideration transferred and any noncontrolling interest in the acquiree exceeds the recognized basis of the identifiable assets acquired, net of assumed liabilities. Determining the fair value of assets acquired, liabilities assumed and noncontrolling interests requires management's judgment and often involves the use of significant estimates and assumptions, including, but not limited to, the selection of appropriate valuation methodology, projected revenue, expenses and cash flows, weighted average cost of capital, discount rates, estimates of customer turnover rates, estimates of terminal values, and royalty rates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities, when purchased, of three months or less.

The following table provides amounts included in cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows for the fiscal years ended March 31 (in thousands):

	2021	2020
Cash and cash equivalents	$ 18,635	$ 5,702
Restricted cash	135	6,735
Total cash and cash equivalents and restricted cash	$ 18,770	$ 12,437

Restricted Cash and Cash Equivalents

The Company maintains certain letters of credit agreements with its banking provider, which are secured by the Company's cash for periods of less than one year. As of March 31, 2021 and 2020, the Company had restricted cash of $0.1 million and $6.7 million, respectively. The decrease in restricted cash as of March 31, 2021 as compared to March 31, 2020, was a result of the repayment of the senior secured convertible debentures in August 2020 (see Note 9 –Senior Secured Convertible Debentures).

Allowance for Doubtful Accounts

The Company evaluates the collectability of its accounts receivable based on a combination of factors. Generally, it records specific reserves to reduce the amounts recorded to what it believes will be collected when a customer's account ages beyond typical collection patterns, or the Company becomes aware of a customer's inability to meet its financial obligations.

The Company believes that the credit risk with respect to trade receivables is limited due to the large and established nature of its largest customers and the short-term nature of its subscription receivables. At March 31, 2021, the Company had two customers that made up 21% and 15% of the total accounts receivable balance. At March 31, 2020, the Company had two customers that made up 22% and 57% of the total accounts receivable balance.

The following table provides amounts included in accounts receivable, net for the fiscal years ended March 31 (in thousands):

	2021	2020
Accounts receivable	$ 10,679	$ 4,109
Less: Allowance for doubtful accounts	112	220
Accounts receivable, net	$ 10,567	$ 3,889

Inventories

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

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

Property and Equipment

Property and equipment are recorded at cost. Costs of improvements that extend the economic life or improve service potential are also capitalized. Capitalized costs are depreciated over their estimated useful lives. Costs for normal repairs and maintenance are expensed as incurred.

Depreciation is recorded using the straight-line method over the assets' estimated useful lives, which are generally as follows: buildings and improvements (5 years), furniture and equipment (3 to 5 years) and computer equipment and software (3 to 5 years). Leasehold improvements are depreciated over the shorter of the estimated useful life, based on the estimates above, or the lease term.

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

Capitalized Internal-Use Software

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

Capitalized internal-use software costs are amortized on a straight-line basis over their three- to five-year estimated useful lives. The Company evaluates the useful lives of these assets and test for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. During the years ended March 31, 2021 and 2020, the Company capitalized $3.4 million and $2.8 million of internal use software, respectively.

Goodwill and Indefinite-Lived Assets

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

Our annual goodwill impairment test is performed at the reporting unit level. As of March 31, 2021 and 2020, our single reporting unit is the same as our operating segment, as described in Note 19. We generally test goodwill for possible impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If a qualitative assessment is not used, or if the qualitative assessment is not conclusive, a quantitative impairment test is performed. If a quantitative test is performed, we determine the fair value of the related reporting unit and compare this value to the recorded net assets of the reporting unit, including goodwill. The fair value of our reporting unit is determined using a market approach based on quoted prices in active markets. In the event the recorded net assets of the reporting unit exceed the estimated fair value of such assets, an impairment charge is recorded. Based on our annual impairment assessment, no impairments of goodwill were identified in the fiscal years ended March 31, 2021 and 2020.

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

We test our acquired trademarks and trade names for possible impairment by applying the same process as for goodwill. In the instance when a qualitative test is not performed or is inconclusive, a quantitative test is performed by using a discounted cash flow model to estimate fair value of our acquired trademarks and trade names. Based on our annual impairment assessment, no impairments of acquired trademarks and trade names were identified in the fiscal years ended March 31, 2021 and 2020.

Intangible Assets with Finite Useful Lives

The Company has certain finite-lived intangible assets that were initially recorded at their fair value at the time of acquisition. These intangible assets consist of Intellectual Property, Customer Relationships, Content Creator Relationships, Wholesale Relationships, Domain Names, Customer List, Capitalized Software Development Costs, and Non-compete Agreements resulting from business combinations. Intangible assets with finite useful lives are amortized using the straight-line method over their respective estimated useful lives, which are generally as follows: Intellectual Property (15 years), Customer, Content Creator and Wholesale Relationships (1-6 years), Domain Names, Customer Lists, and Software (5 years), Patents (15 years), and Non-Compete Agreements (3 years).

The Company reviews all finite lived intangible assets for impairment when circumstances indicate that their carrying values may not be recoverable. If the carrying value of an asset group is not recoverable, the Company recognizes an impairment loss for the excess carrying value over the fair value in its consolidated statements of operations. In our assessment for potential impairment we identified triggering events due to the events resulting from the global COVID-19 pandemic which caused the temporary halting of car production of our OEM partner as well as overall advertising spend decrease from our advertising partners. No impairment losses have been recorded in the fiscal years ended March 31, 2021 and 2020. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may impair the Company's asset values, including intangible assets.

Deferred Revenue and Costs

Deferred revenue consists substantially of amounts received from customers in advance of the Company's performance service period. Deferred revenue is recognized as revenue on a systematic basis that is proportionate to the period that the underlying services are rendered, which in certain arrangements is straight line over the remaining contractual term or estimated customer life of an agreement.

In the event the Company receives cash in advance of providing its music services, the Company will also defer an amount of such future royalty and costs to 3rd party music labels, publishers and other providers on its balance sheets. Deferred costs are amortized to expense concurrent with the recognition of the related revenue and the expense is included in cost of sales.

Fair Value Measurements - Valuation Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (i.e., an exit price). The Company uses the three-level valuation hierarchy for classification of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect the Company's own assumptions about the data market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized below:

Level 1 Valuation is based upon quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3 Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

The classification of assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement in its entirety. Proper classification of fair value measurements within the valuation hierarchy is considered each reporting period. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts.

Concentration of Credit Risk

The Company maintains cash balances at commercial banks. Cash balances commonly exceed the $250,000 amount insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts, and management believes that the Company is not exposed to any significant credit risk with respect to such cash and cash equivalents.

Seasonality

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

Adoption of New Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15. *Intangibles - Goodwill and Other – Internal-Use Software,* related to accounting for implementation costs incurred in hosted cloud computing service arrangements. Under the new guidance, implementation costs incurred in a hosting arrangement that is a service contract should be expensed or capitalized based on the nature of the costs and the project stage during which such costs are incurred. If the implementation costs qualify for capitalization, they must be amortized over the term of the hosting arrangement and assessed for impairment. Companies must disclose the nature of any hosted cloud computing service arrangements. This ASU also provides guidance for balance sheet and income statement presentation of capitalized implementation costs and statement of cash flows presentation for the related payments. This ASU was effective beginning in the first quarter of our fiscal year 2021. The Company prospectively adopted this guidance in the first quarter of 2021. The adoption of this standard did not have a material impact to the consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18 which clarified the interaction between Topic 808 and Topic 606, which makes targeted improvements for collaborative arrangements as follows: a) clarifies that certain transactions between collaborative arrangement participants are within the scope of ASC 606 when the collaborative arrangement participant is a customer in the context of a unit of account. b) adds unit-of-account (i.e., distinct good or service) guidance to ASC 808 to align with the guidance in ASC 606 to determine whether the collaborative arrangement, or a part of the arrangement, is within the scope of ASC 606. And c) specifies that in a transaction with a collaborative arrangement participant that is not directly related to sales to third parties, if the collaborative arrangement participant is not a customer, an entity is precluded from presenting the transaction together with revenue recognized under ASC 606. The ASU was effective for public business entities for fiscal years ending after December 15, 2019. For all other entities, the ASU was effective for annual reporting periods ending after December 15, 2020. The Company adopted this guidance in the first quarter of 2021. The adoption of this standard did not have a material impact to the consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. These changes will result in more timely recognition of credit losses. The guidance is effective for fiscal years beginning after December 15, 2022 for SEC filers that are eligible to be smaller reporting companies under the SEC's definition, and interim periods within those fiscal years. The Company is currently evaluating the impact this guidance will have on the Company's consolidated financial statements.

In November 2019, the FASB issued ASU 2019-10 which amends the effective dates for the accounting standard, and ASU 2019-11 which clarifies narrow issues within the new credit losses standard. The Company is currently evaluating the impact this ASU will have on its financial statements and related disclosures as well as the timing of adoption and the application method.

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” as part of its initiative to reduce complexity in the accounting standards. The standard eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The standard also clarifies and simplifies other aspects of the accounting for income taxes. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact that this guidance will have upon its financial position and results of operations, if any.

In August 2020, The Financial Accounting Standards Board issued ASU No. 2020-06, Debt – Debt with Conversion and Other Options (subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40). This update simplifies the accounting for convertible debt instruments by removing the beneficial conversion and cash conversion separation models for convertible instruments. Under the update, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives or that do not result in substantial premiums accounted for as paid-in capital. The update also amends the accounting for certain contracts in an entity’s own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the computation of diluted EPS. The amendments in this update are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In October 2020, the FASB issued ASU 2020-10, Codification Improvements. The amendments in this ASU affect a wide variety of Topics in the Codification. This ASU contains amendments that improve the consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section (Section 50). Many of the amendments arose because the FASB provided an option to give certain information either on the face of the financial statements or in the notes to financial statements and that option only was included in the Other Presentation Matters Section (Section 45) of the Codification. The option to disclose information in the notes to financial statements should have been codified in the Disclosure Section as well as the Other Presentation Matters Section (or other Section of the Codification in which the option to disclose in the notes to financial statements appears). Those amendments are not expected to change current practice. The amendments in this ASU do not change GAAP and, therefore, are not expected to result in a significant change in practice. However, the FASB is aware that some entities may have applied the guidance being amended in an inconsistent manner. The inconsistent application of the guidance may result in some entities changing their current accounting practices and financial statement reporting. Therefore, the FASB is providing transition guidance for all the amendments in this ASU. The amendments in Sections B and C of this ASU are effective for annual periods beginning after December 15, 2020, for public business entities. For all other entities, the amendments are effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early application of the amendments in this ASU is permitted for public business entities for any annual or interim period for which financial statements have not been issued. For all other entities, early application of the amendments is permitted for any annual or interim period for which financial statements are available to be issued. The amendments in this ASU should be applied retrospectively. An entity should apply the amendments at the beginning of the period that includes the adoption. The Company is currently evaluating the impact this ASU will have on its financial statements and related disclosures, as well as the timing of adoption and the application method.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the U.S. Securities and Exchange Commission (the "SEC") did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statement presentation or disclosures.

Note 3 — Revenue

The following table represents a disaggregation of revenue from contracts with customers for the years ended March 31, 2021 and 2020 (in thousands):

	Year Ended March 31, 2021	Year Ended March 31, 2020
Revenue		
Subscription services	$ 33,577	$ 35,904
Advertising	20,779	2,167
Merchandising	5,168	-
Sponsorship and Licensing	3,878	301
Ticket/Event	1,828	287
Total Revenue	$ 65,230	$ 38,659

For some contracts, the Company may invoice up front for services recognized over time or for contracts in which the Company has unsatisfied performance obligations. Payment terms and conditions vary by contract type, although terms generally cover monthly payments. In the circumstances where the timing of invoicing differs from the timing of revenue recognition, the Company has determined its contracts do not include a significant financing component. The Company has elected to apply the practical expedient under ASC 606-10-50-14 and not provide disclosure of the amount and timing of performance obligations as the performance obligations are part of a contract that has an original expected duration of one year or less.

For the years ended March 31, 2021 and 2020, one customer accounted for 36% and 60% of our consolidated revenues, respectively.

The following table summarizes the significant changes in contract liabilities balances during the years ended March 31, 2021 and 2020 (in thousands):

	Contract Liabilities
Balance as of April 1, 2019	$ 950
Revenue recognized that was included in the contract liability at beginning of period	(950)
Increase due to cash received, excluding amounts recognized as revenue during the period	949
Balance as of March 31, 2020	949
Revenue recognized that was included in the contract liability at beginning of period	(949)
Increase due to cash received, excluding amounts recognized as revenue during the period	1,262
Balance as of March 31, 2021	$ 1,262

Note 4 — Business Combinations

PodcastOne

On July 1, 2020, the Company's wholly owned subsidiary, LiveXLive PodcastOne, Inc., acquired 100% of the equity interests of PodcastOne for net consideration of $16.1 million consisting of 5,363,636 shares of the Company's common stock with a fair value of $14.6 million net of a 24% discount for lack of marketability described below, contingent consideration with a fair value of $1.1 million and an additional true-up of 203,249 shares during the third quarter of fiscal 2021 valued at $0.4 million, net of a 24% discount for lack of marketability described below, that was issued as part of the final purchase price consideration. The shares of the Company's common stock are subject to a twelve-month lock-up period and sales volume restrictions.

Fair Value of Consideration Transferred:

Common stock	$	14,991
Contingent consideration		1,100
Total	$	16,091

If, during the period commencing after May 7, 2020 and ending on July 1, 2022, for five consecutive trading days the closing market price of the Company's common stock exceeds $5.00 per share, an additional aggregate payment of $3.0 million in cash shall be paid to the sellers of PodcastOne in accordance with their respective pro rata percentage within five business days of the second anniversary of the closing date (July 1, 2022). The fair value of this contingent consideration liability on the closing date of July 1, 2020 was estimated at $1.1 million using a Monte Carlo simulation and the significant unobservable input included a credit yield of 21.9%. During March 2021, the closing price of the Company's common stock exceeded $5.00 per share for the requisite five consecutive days. The Company recorded a $1.3 million charge to Other income (expense) in the Consolidated Statement of Operations. The contingent consideration liability of $2.4 million is classified within Other Long-term Liabilities in the accompanying Consolidated Balance Sheet at March 31, 2021 (see Note 14 – Other Long-term Liabilities).

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

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

Asset Type	**Weighted Average Amortization Period (Years)**		**Fair Value**
Cash and cash equivalents		$	1,286
Accounts receivable			3,951
Prepaid expense and other assets			316
Property and equipment			119
Content creator relationships	1.6		772
Trade name	10		1,010
Goodwill			12,042
Accounts payable and accrued liabilities			(2,934)
Deferred tax asset			972
Allowance for deferred tax asset			(972)
Note payable			(471)
Net assets acquired		$	16,091

The fair value of the assets acquired includes accounts receivable of $4.0 million. The gross amount due under contracts is $4.2 million, of which $0.2 million is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of PodcastOne.

<u>CPS</u>

On December 22, 2020, the Company's wholly owned subsidiary, LiveXLive Merchandising, Inc., acquired 100% of the equity interests of CPS for total consideration of 2,230,769 shares of the Company's restricted common stock with a fair value of $6.4 million net of a 25% discount for lack of marketability described below. The shares of the Company's common stock issued to the sellers are subject to a twelve-month lock-up period from the closing date, such that no such shares can be sold, transferred, assigned, hypothecated, or in any way disposed of, or any right or interest therein, whether voluntarily or by operation of law, or by gift or otherwise prior to the expiration of such period.

The Company agreed to also issue up to approximately 577,000 additional shares of its restricted common stock, classified as contingent consideration, if CPS reports GAAP revenue of $20.0 million and $1.0 million of EBITDA (as defined in the purchase agreement) for its fiscal year ended December 31, 2020. Based on their likelihood of achievement, the number of shares reflect management's current estimate and were valued at $1.7 million based on the Company's stock price on the date of acquisition, net of a 25% discount for lack of marketability. The contingent consideration liability at March 31, 2021 of $2.5 million is included in accounts payable and accrued liabilities on the Consolidated Balance Sheet. The Company recorded a $0.9 million charge to Other income (expense) in the Consolidated Statement of Operations.

The Company further agreed to issue up to approximately 110,000 additional shares of its restricted common stock to the extent CPS' final working capital as determined by the parties exceeds $4.0 million. These number of shares reflect management's current estimate based on achievement. These additional shares were valued at $0.3 million based on the Company's stock price on the date of acquisition, net of a 25% discount for lack of marketability. This amount is included in additional paid in capital on the March 31, 2021 Consolidated Balance Sheet. Amounts recorded as consideration for the shares to be issued are provisional and subject to change.

Fair Value of Consideration Transferred:	
Common stock	$ 6,391
Additional paid-in capital – common stock to be issued	313
Contingent consideration	1,654
Total	$ 8,358

Goodwill resulted from acquisition as it is intended to augment and diversify the Company's single reportable segment. The Company accounted for the acquisition as a business combination. As a result of the acquisition of the stock of CPS, the goodwill is not deductible for tax purposes. The initial accounting for the CPS acquisition is incomplete and subject to change, which may be significant. The Company recorded provisional amounts and may allocate additional value to identified intangible assets and inventory.

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

Asset Type	**Weighted Average Amortization Period (Years)**	**Fair Value**
Cash and cash equivalents		$ 1,132
Accounts receivable		6,153
Inventories		2,600
Prepaid expense		29
Property and equipment		585
Wholesale relationship	6	2,500
Domain name	10	400
Customer list	5	172
Goodwill		905
Other assets		53
Right of use asset		1,086
Lease liability		(1,086)
Accounts payable		(5,067)
Deferred tax liability		(388)
Other liabilities		(716)
Net assets acquired		$ 8,358

The fair value of the assets acquired includes accounts receivable of $6.2 million. The gross amount due under contracts is $6.5 million, of which $0.4 million is expected to be uncollectible. The Company did not acquire any other class of receivable as a result of the acquisition of CPS.

The Company recorded a tax benefit of $0.4 million for the release of valuation allowance on the Company's net operating losses to support acquired deferred tax liabilities. The Company is required to establish a deferred tax liability for book tax basis differences of acquired assets and liabilities which would result in the utilization of available net operating losses. The decrease in valuation allowance resulted in a tax benefit of $0.4 million which was recorded in the Company's Consolidated Statement of Operations for fiscal year ended March 31, 2021.

Revenue of $19.7 million and $5.2 million and net loss of $2.9 million and $0.3 million was included in the Company's Consolidated Statements of Operations from the date of acquisition for the fiscal year ended March 31, 2021 for PodcastOne and CPS, respectively.

The Company incurred less than $0.1 million in transaction costs associated with the PodcastOne and CPS acquisitions, respectively, which were expensed and included in General and Administrative in the Consolidated Statement of Operations for fiscal year ended March 31, 2021.

Fiscal 2020 Transaction

React Presents

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

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

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

The amount of revenue for React Presents included in the Company's consolidated statements of operations for the year ended March 31, 2020 was $0.3 million. The net loss for React Presents included in the Company's consolidated statements of operations for the year ended March 31, 2020 was $0.6 million. The Company incurred less than $0.1 million in transaction costs associated with the React Presents acquisition.

Supplemental Pro Forma Information (Unaudited)

The pro forma financial information as presented below is for informational purposes only and is not indicative of operations that would have been achieved from the acquisitions had they taken place at the beginning of the fiscal years ended March 31, 2021 and 2020, respectively.

The following table presents the revenues, net loss and earnings per share of the combined company for the years ended March 31, 2021 and 2020 as if the acquisition of CPS had been completed on April 1, 2019 (in thousands, except per share data).

	Year Ended March 31, (unaudited)			
		2021		2020
Revenues	$	83,050	$	57,823
Net loss		(41,801)		(42,025)
Net loss per share – basic and diluted	$	(0.61)	$	(0.72)

The following table presents the revenues, net loss and earnings per share of the combined company for the years ended March 31, 2021 and 2020 as if the acquisition of PodcastOne had been completed on April 1, 2019 (in thousands, except per share data).

	Year Ended March 31, (unaudited)	
	2021	2020
Revenues	$ 69,953	$ 63,985
Net loss	(42,656)	(40,398)
Net loss per share – basic and diluted	(0.62)	$ (0.65)

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

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

The Company's unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflect amortization of intangible assets as a result of the acquisition. The pro forma results are not necessarily indicative of the results that would have been realized had the acquisitions been consummated as of the beginning of the periods presented. The pro forma amounts include the historical operating results of the Company, with adjustments directly attributable to the acquisition which included amortization of acquired intangible assets of $1.7 million and $2.4 million in the year ended March 31, 2021 and 2020, respectively and transaction costs of $0.2 million included in the year ended March 31, 2020.

Note 5 — Property and Equipment

The Company's property and equipment at March 31, 2021 and 2020 was as follows (in thousands):

	As of March 31,	
	2021	2020
Property and equipment, net		
Computer, machinery, and software equipment	5,277	4,793
Furniture and fixtures	141	127
Leasehold improvements	531	316
Capitalized internally developed software	10,154	6,718
Total property and equipment	16,103	11,954
Less accumulated depreciation and amortization	(11,736)	(8,557)
Total property and equipment, net	$ 4,367	$ 3,397

Depreciation and amortization expense was $3.2 million and $2.1 million for the years ended March 31, 2021 and 2020, respectively.

Note 6 — Goodwill and Intangible Assets

Goodwill

The Company currently has one reporting unit. The following table presents the changes in the carrying amount of goodwill for the years ended March 31, 2021 and 2020 (in thousands):

	Goodwill
Balance as of April 1, 2019	$ 9,672
Acquisitions	-
Balance as of March 31, 2020	$ 9,672
Acquisitions	12,947
Balance as of March 31, 2021	$ 22,619

Indefinite-Lived Intangible Assets

The following table presents the changes in the carrying amount of indefinite-lived intangible assets in the Company's reportable segment for the year ended March 31, 2021 (in thousands):

	Tradenames
Balance as of April 1, 2019	$ 4,637
Acquisitions	-
Impairment losses	-
Balance as of March 31, 2020	$ 4,637
Acquisitions	-
Impairment losses	-
Balance as of March 31, 2021	$ 4,637

Finite-Lived Intangible Assets

The Company's finite-lived intangible assets were as follows as of March 31, 2021 (in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Software	$ 19,281	$ 12,533	$ 6,748
Intellectual property (patents)	5,366	1,163	4,203
Customer relationships	6,570	5,652	918
Content creator relationships	772	371	401
Domain names	429	31	398
Brand and trade names	2,571	253	2,318
Non-compete agreement	250	97	153
Customer list	2,903	211	2,692
Total	$ 38,142	$ 20,311	$ 17,831

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

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

The Company's amortization expense on its finite-lived intangible assets was $5.5 million and $5.7 million for the years ended March 31, 2021 and 2020, respectively.

The Company estimated future amortization expense on its finite-lived intangible assets as of March 31, 2021 to be as follows (in thousands):

For Years Ended March 31,	
2022	$ 6,006
2023	4,482
2024	1,024
2025	1,058
2026	1,084
Thereafter	4,177
	$ 17,831

Note 7 — Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at March 31, 2021 and 2020 were as follows (in thousands):

	March 31, 2021	March 31, 2020
Accounts payable	$ 18,541	$ 26,703
Accrued liabilities	13,786	3,938
Lease liabilities, current	319	82
Total	$ 32,646	$ 30,723

Note 8 — Note Payable

The Company's notes payable at March 31, 2021 and 2020 were as follows (in thousands):

	March 31, 2021	March 31, 2020
Senior promissory note	$ 351	$ 331
SBA loan	153	-
PPP loans	3,110	-
	3,614	331
Less: Current portion of Notes payable	(2,729)	(331)
Notes payable	$ 885	$ -

Senior Promissory Note

On December 31, 2014, the Company converted accounts payable into a Promissory Note (the "Note") in the aggregate principal amount of $0.2 million. The Note bears interest at 6% per annum and interest is payable on a quarterly basis commencing March 31, 2015 or the Company may elect that the amount of such interest be added to the principal sum outstanding under this Note. The payables arose in connection with professional services rendered by attorneys for the Company prior to and through December 31, 2014, and the Note had an original maturity date of December 31, 2015, which was extended to September 30, 2016 or such later date as the lender may agree to in writing. In February 2018, the Note holder filed a claim for collection of the Note (see Note 15 – Commitments and Contingencies). In February 2019, as part of a settlement agreement, the parties agreed to the repayment of the Note on or before June 30, 2019. As of the date of this Annual Report, the Note has not been extended and is currently past due. In addition, the holder of the Note obtained a judgement against the Company for nonpayment of the Note in the State of Delaware in August 2019 and a judgement lien against the Company in the State of California in the third fiscal quarter ended December 31, 2019. As of March 31, 2021 and 2020, the balance due under the Note was $0.4 million and $0.3 million, respectively, which includes $0.1 million and $0.1 million of accrued interest, respectively.

SBA Loan

On June 17, 2020, the Company received the proceeds from a loan in the amount of less than $0.2 million from the U.S. Small Business Administration (the "SBA"). Installment payments, including principal and interest, begin 12-months from the date of the promissory note. The balance is payable 30-years from the date of the promissory note, and bears interest at a rate of 3.75% per annum.

PPP Loans

In April, 2020, the Company received proceeds of $2.0 million from a loan under the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was subsequently forgiven in April 2021. On March 20, 2021, the Company received proceeds of $0.6 million from a second loan ("the PPP loan") under the PPP of the CARES Act, which the Company intends to use to retain employees and for other qualifying expenses. The PPP Loan matures on March 20, 2026 and bears annual interest at a rate of 1.0%. Commencing on March 31, 2022, the Company is required to pay the lender equal monthly payments of principal and interest as required to fully amortize by March 20, 2026 any principal amount outstanding on the PPP Loan as of such date.

On July 1, 2020, the Company acquired PodcastOne and the $0.8 million PPP loan originally obtained by PodcastOne is currently outstanding. Monthly payments including principal and interest begin 7 months from the date of the promissory note, April 26, 2020. The balance is payable 2-years from the date of the promissory note, and bears interest at a rate of 1% per annum.

All or a portion of these loans may be forgiven by the SBA upon application by the Company before the maturity date of the loan and upon documentation of expenditures in accordance with the SBA requirements. In the event the loans, or any portion thereof, are forgiven pursuant to the PPP, the amount forgiven is applied to outstanding principal. On April 24, 2021, the Company received confirmation that the entire balance of the initial loan received on April 13, 2020 in the amount of $2.0 million was forgiven and on May 11, 2021, the Company received confirmation from the lender of the SBA that the entire balance of the PodcastOne loan received on April 26, 2020 was forgiven.

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

Note 9 — Senior Secured Convertible Debentures

The Company's senior secured convertible debentures at March 31, 2021 and 2020 were as follows (in thousands):

	March 31, 2021	March 31, 2020
Senior Secured Convertible Debentures		
Senior Secured Convertible Debentures	$ -	$ 10,118
Accrued interest	-	101
Fair Value of Embedded Derivatives	-	524
Less: Discount	-	(1,518)
Net	-	9,225
Less: Senior Secured Convertible Debentures, current	-	(2,720)
Senior Secured Convertible Debentures, long-term	$ -	$ 6,505

On June 29, 2018, the Company entered into a Securities Purchase Agreement (the "SPA"), with JGB Partners, LP, JGB Capital, LP and JGB (Cayman) Finlaggan Ltd. (each, a "Purchaser" and collectively, the "Purchasers") pursuant to which the Company sold, in a private placement transaction (the "Financing"), for an aggregate cash purchase price of $10.0 million, $10.64 million in aggregate principal amount, of its 12.75% Original Issue Discount Senior Secured Convertible Debentures due June 29, 2021 (the "June 2018 Debentures"). In conjunction with the Financing, the Company (i) recorded issuance costs of $1.1 million against the liability and (ii) used $3.5 million of the proceeds to pay off 100% of the Company's revolving line of credit. Issuance costs are being amortized to interest expense over the term of the June 2018 Debentures.

The June 2018 Debentures were to mature on June 29, 2021, accrued interest at 12.75% per year, and were convertible into shares of common stock of the Company at a conversion price of $10.00 per share at the holder's option, subject to certain customary adjustments such as stock splits, stock dividends and stock combinations (the "Conversion Price").

On February 11, 2019, the Company amended the SPA with the Purchasers to obtain additional financing, increasing the cash purchase price of the Debentures by $3.0 million, $3.2 million in aggregate principal amount, of its 12.75% Original Issue Discount Senior Secured Convertible Debentures due June 29, 2021 (the "February 2019 Debentures" and together with the June 2018 Debentures, the "Debentures").

On August 31, 2020, the Company fully repaid the Debentures issued to its former senior lenders on June 29, 2018, as amended, as provided in such Debentures. In connection with such repayment, all of the agreements among the Company, its subsidiary guarantors and the senior lenders and their collateral agent were terminated, provided, that the Company's indemnification obligations in the Securities Purchase Agreement, dated as of June 20, 2018, as amended, between the Company and the senior lenders shall survive on the terms therein. Additionally, a prepayment penalty of 8% was paid on repayment of the Debentures in the amount of $0.7 million and is included in the $1.5 million loss on extinguishment which is included in "Loss on extinguishment of debt" in the accompanying consolidated statement of operations.

Note 10 — Unsecured Convertible Notes

The Company's unsecured convertible notes payable at March 31, 2021 and 2020 were as follows (in thousands):

	March 31, 2021	March 31, 2020
Unsecured Convertible Notes - Related Party		
(A) 8.5% Unsecured Convertible Note - Due May 31, 2022	$ 4,397	$ 4,120
(B) 8.5% Unsecured Convertible Notes - Due May 31, 2022	1,104	1,035
Less: Discount	-	(41)
Net	5,501	5,114
Unsecured Convertible Promissory Note	$ 2,000	$ 2,000
Accrued interest	186	24
Less: Discount	(223)	(485)
Fair Value of Embedded Derivatives	13	141
Net	1,976	1,680
Unsecured Convertible Promissory Notes, Net	$ 7,477	$ 6,794
Unsecured Convertible Promissory Notes, Net, Current	1,976	-
Unsecured Convertible Promissory Notes, Net, Long-Term	$ 5,501	$ 6,794

Total principal maturities of the Company's long-term borrowings, including the Debentures, unsecured convertible notes, and note payable are $4.7 million for the year ending March 31, 2022, $19.9 million for the year ending March 31, 2023, and $0.6 million thereafter.

Unsecured Convertible Notes – Related Party

As of March 31, 2020 and March 31, 2019, the Company had outstanding 7.5% (effective as of April 1, 2018, previously 6%) unsecured convertible notes payable (the "Trinad Notes") issued to Trinad Capital Master Fund Ltd. ("Trinad Capital"), a fund controlled by Mr. Ellin, the Company's Chief Executive Officer, Chairman, director and principal stockholder as follows below. The Trinad Notes are convertible into shares of the Company's common stock at a fixed conversion price of $3.00 per share.

(A) The first Trinad Note was issued on February 21, 2017, to convert aggregate principal and interest of $3.6 million under the first senior promissory note and second senior promissory note with Trinad Capital previously issued on December 31, 2014 and April 8, 2015, respectively. The first Trinad Note was due on March 31, 2018 and was extended to May 31, 2019 and further extended to May 31, 2021 (as discussed below). At March 31, 2021, the balance due of $4.4 million, which included $1.0 million of accrued interest, was outstanding under the first Trinad Note. At March 31, 2020, the balance due of $4.1 million, which included $0.5 million of accrued interest, was outstanding under the first Trinad Note.

(B) Between October 27, 2017 and December 18, 2017, the Company issued six unsecured convertible notes payable to Trinad Capital for aggregate total principal amount of $1.1 million. The notes were due on various dates through December 31, 2018 and were extended to May 31, 2019 and further extended to May 31, 2022 (as discussed below). For the year ended March 31, 2021, the Company amortized less than $0.1 million of discount to interest expense, and the unamortized discount was fully amortized as of March 31, 2021. As of March 31, 2020, $0.1 million of accrued interest was added to the principal balance.

On January 11, 2021, the Company entered into an Amendment of Notes Agreement (the "Amendment Agreement") with Trinad Capital Master Fund Ltd. ("TCMF"), a related party, pursuant to which the maturity date of all of the Company's Unsecured Convertible Notes issued to TCMF was extended to May 31, 2022, and in consideration of such extension, the interest rate payable under such notes increased to 8.5% and the Company issued to TCMF 280,000 shares of its common stock. The Company evaluated the Amendment Agreement and the modification was required to be accounted for as an extinguishment under ASC 470-50, *Debt – Modifications and Extinguishment.* As a result, we determined that the amendment should be accounted for as an extinguishment and we recorded the amended debt instrument at fair value which included the consideration in common stock transferred. The resulting loss on extinguishment recorded of $3.7 million is included in "Loss on extinguishment of debt" in the accompanying consolidated statement of operations.

The Company may not redeem the any of the Trinad Notes prior to May 31, 2022 without Trinad Capital's consent.

Unsecured Convertible Promissory Note

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

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

At March 31, 2021, the Company performed a fair value analysis using a binomial lattice calculation on the derivative instruments using the following assumptions: Coupon Rate: 8.0%, Term: 0.85 years, Volatility: 90.2%, Market Rate: 26.5% and Probability of Default: 31.63%. The Company determined that as of the assessment date, the fair value is less than $0.1 million. The change in fair value of less than $0.1 million is recorded in other income (expense) on the Company's consolidated statements of operations for the year ended March 31, 2021.

Note 11 — Senior Secured Convertible Notes

The Company's senior secured convertible notes at March 31, 2021 and 2020 were as follows (in thousands):

	March 31, 2021	March 31, 2020
Senior Secured Convertible Notes	$ 15,000	$ -
Accrued interest	319	-
Fair value of embedded derivatives	118	-
Less: Discount	(2,071)	-
Net	13,366	-
Less: Current Portion, accrued interest	(319)	-
Senior Secured Convertible Notes, long-term	$ 13,047	$ -

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

In connection with the Senior Notes, the Company paid $0.2 million in certain fees, including direct costs of $0.2 million consisting of Purchaser’s transaction and legal costs (collectively, the “Issuance Costs”).

The sale of the Senior Notes was completed pursuant to the Securities Purchase Agreement, dated as of July 2, 2020, as amended on July 30, 2020 (as amended, the “Senior SPA”), and (ii) issued to the Purchaser 800,000 shares (the “Shares”) of the Company’s common stock valued at $1.8 million. The Senior Notes and the Shares were issued as restricted securities in a private placement transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”).

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

The Company’s obligations under the Senior Notes may be accelerated upon the occurrence of certain customary events of default (as defined in the Senior Notes) and are guaranteed under a Subsidiary Guarantee, dated as of the Closing Date (the “Subsidiary Guarantee”), entered into by all of the Company’s subsidiaries (the “Guarantors”) in favor of the Purchaser. The Company’s obligations under the Senior Notes and the Guarantors’ obligations under the Subsidiary Guarantee are secured under a Security Agreement, dated as of the Closing Date (the “Security Agreement”), and an Intellectual Property Security Agreement, dated as of the Closing Date (the “IP Security Agreement”), by a lien on all of the Company’s and the Guarantors’ assets and intellectual property, subject to certain exceptions. The Senior Notes require the Company to maintain aggregate cash deposits of $10.0 million until the Senior Notes are paid in full. In May 2021 and in connection with the Company entering into a $7 million secured revolving credit facility, the holders of the Senior Notes subordinated their security interest (see Note 21 – Subsequent Events).

The Company and the Purchaser also entered into a Registration Rights Agreement, dated as of the Closing Date (the “RRA”), which grants the Assignees “demand” and “piggyback” registration rights to register the shares of Common Stock issuable upon the conversion of the Notes and the Shares (collectively, the “Registrable Securities”) with the SEC for resale or other disposition. Pursuant to the RRA, the Company is required to file with the SEC a resale Registration Statement on Form S-3 (or another suitable form) as soon as reasonably practical after the Closing Date, but in any event within 30 days after the Closing Date (the “Filing Date”), and have such Registration Statement be declared effective by the SEC on the date (the “Effectiveness Date”) which is the earlier of (i)(x) in the event that the initial Registration Statement is not subject to a full review by the SEC, 45 calendar days after the Filing Date, or (y) in the event that such initial Registration Statement is subject to a full review by the SEC, 90 calendar days after the Filing Date, and (ii) the fifth Business Day after the date the Company is notified by the SEC that such initial Registration Statement will not be reviewed or will not be subject to further review. Upon the occurrence of certain events (each an “Event”), including, but not limited to, that the initial Registration Statement is not filed prior to the Filing Date or is not declared effective by the SEC prior to the Effectiveness Date, the Company will be required to pay liquidated damages in cash to each of the Assignees in the amount of 2.0% of the purchase price of the Notes paid by such Assignee upon the date of the Event and then monthly thereafter until the Event is cured. In no event shall the aggregate amount of liquidated damages payable to each of the Assignees exceed in the aggregate 15% of the purchase price of the Notes paid by such Assignee. The Company also agreed to keep the initial Registration Statement continuously effective until the earliest to occur of (i) the date on which all of the Registrable Securities registered thereunder have been sold and (ii) the date on which all of the Registrable Securities covered by such Registration Statement may be sold without volume restriction pursuant to Rule 144 under the Securities Act.

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

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

Note 12 — Related Party Transactions

As of March 31, 2021, and March 31, 2020, the Company had unsecured convertible Trinad Notes outstanding which were issued to Trinad Capital as described in Note 10 – Unsecured Convertible Notes.

Note 13 — Leases

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

The Company leases several office locations with lease terms that are less than 12 months or are on month to month terms. Rent expense for these leases totaled $0.3 million for the year ended March 31, 2021. Operating leases with lease terms of greater than 12 months are capitalized in Operating lease right-of-use assets and Operating lease liabilities in the consolidated balance sheet. Rent expense for these operating leases totaled $0.5 million the years ended March 31.

Operating lease costs for the year ended March 31, 2021 consisted of the following (in thousands):

	Year Ended March 31,	
	2021	**2020**
Fixed rent cost	$ 507	94
Short term lease cost	281	352
Total operating lease cost	$ 788	446

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

Operating leases	**March 31, 2021**	**March 31, 2020**
Operating lease right-of-use assets	$ 1,057	127
Operating lease liability, current	$ 319	82
Operating lease liability, noncurrent	742	45
Total operating lease liabilities	$ 1,061	127

The operating lease right-of-use assets are included in other assets in the March 31, 2021 consolidated balance sheets, and operating lease liabilities are included in accounts payable and accrued liabilities and lease liabilities non-current in the March 31, 2021 consolidated balance sheets.

Future maturities of operating lease liabilities as of March 31, 2021 were as follows (in thousands):

For Years Ending March 31,	
2022	396
2023	358
2024	320
2025	93
Total lease payments	1,167
Less: imputed interest	(106)
Present value of operating lease liabilities	$ 1,061

Significant judgments

Discount rate – the Company's lease is discounted using the Company's incremental borrowing rate of 8.5% as the rate implicit in the lease is not readily determinable.

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

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

<u>*Month to month arrangements*</u>

The Company leased corporate headquarters office space in West Hollywood from a third party. The Company or the third party had the right to terminate the arrangement at any time without prior notice. Rent expense for the month to month arrangements totaled less than $0.1 million and $0.5 million for the years ended March 31, 2021 and 2020, respectively. The Company vacated this office space as of December 31, 2020.

React Presents leases its Chicago, Illinois premises under a month-to-month lease. Rent expense for the operating leases totaled less than $0.1 million for the year ended March 31, 2021 and the period from the acquisition date to March 31, 2020, respectively.

PodcastOne leases its Los Angeles premises under a month-to-month operating lease. Rent expense for the operating leases totaled $0.3 million for the period from the acquisition date to March 31, 2021.

Note 14 — Other Long-Term Liabilities

On October 30, 2020, Slacker entered into an amendment to existing agreements with a certain licensor of music content (the "Music Partner") which own and license rights to Slacker to certain sound recordings. Pursuant to this amendment, payment terms on $5.9 million of outstanding balances to the Music Partner were extended over periods between 12 and 24 months.

	March 31, 2021	March 31, 2020
Due to Music Partner	$ 3,937	$ -
Other long-term liabilities	2,422	-

The Company evaluated the agreements with the Music Partner and it was required to be accounted for as troubled debt restructuring under ASC 470-60, Troubled Debt Restructuring by Debtor. As a result of the evaluation, the Company reclassified the portion of the payable balance due after 12-months to non-current liabilities.

The amount included in Other long-term liabilities is comprised of a contingent consideration liability resulting from the business combination with PodcastOne (Note 4 - Business Combinations) and is carried at fair value (see Note 20 - Fair Value Measurements).

Note 15 — Commitments and Contingencies

<u>*Promotional Rights*</u>

Certain of the Company's content acquisition agreements contain minimum guarantees, and require that the Company makes upfront minimum guarantee payments. As of March 31, 2021, the Company has licenses, production and/or distribution agreements to make guaranteed payments as follows: $0.5 million for the fiscal year ending March 31, 2022, and less than $0.1 million for the fiscal year ending March 31, 2023. These agreements also provide for a revenue share that ranges between 35% and 50% of net revenues. In addition, there are other licenses, production and/or distribution agreements that provide for a revenue share of 50% on net revenues; however, without a requirement to make future minimum guaranteed payments irrespective to the execution and results of the planned events.

Contractual Obligations

As of March 31, 2021, the Company is obligated under agreements with Content Providers and other contractual obligations to make guaranteed payments as follows: $7.1 million for the fiscal year ending March 31, 2022, $6.5 million for the fiscal year ending March 31, 2023, and $5.7 million for the fiscal year ending March 31, 2024.

On a quarterly basis, the Company records the greater of the cumulative actual content acquisition costs incurred or the cumulative minimum guarantee based on forecasted usage for the minimum guarantee period. The minimum guarantee period is the period of time that the minimum guarantee relates to, as specified in each agreement, which may be annual or a longer period. The cumulative minimum guarantee, based on forecasted usage, considers factors such as listening hours, revenue, subscribers and other terms of each agreement that impact the Company's expected attainment or recoupment of the minimum guarantees based on the relative attribution method.

Several of the Company's content acquisition agreements also include provisions related to the royalty payments and structures of those agreements relative to other content licensing arrangements, which, if triggered, could cause the Company's payments under those agreements to escalate. In addition, record labels, publishers and performing rights organizations with whom the Company has entered into direct license agreements have the right to audit the Company's content acquisition payments, and any such audit could result in disputes over whether the Company has paid the proper content acquisition costs. However, as of March 31, 2021, the Company does not believe it is probable that these provisions of its agreements discussed above will, individually or in the aggregate, have a material adverse effect on its business, financial position, results of operations or cash flows.

Employment Agreements

As of March 31, 2021, the Company has employment agreements with 4 named executive officers ("Section 16 Officers") that provide annual salary payments of $1.7 million and target bonus compensation of up to $1.7 million for the year ending March 31, 2022, salary payments of $1.1 million and target bonus compensation of up to $1.1 million for the year ending March 31, 2023. Furthermore, such employment agreements contain severance clauses that could require severance payments in the aggregate amount of $11.0 million (excluding the value of potential payouts of discretionary bonuses, pro-rata bonuses, and potential accelerated vesting of equity awards granted to such executive officers).

Legal Proceedings

In March 2018, Manatt Phelps& Phillips, LLP ("Manatt") served the Company with a complaint filed on February 22, 2018 in the Supreme Court of the State of California County of Los Angeles against the Company. The complaint alleges, among other things, breach of contract and breach of promissory note. Plaintiff is seeking damages of $0.2 million, plus interest, attorneys' fees and costs and other such relief as the court may award. On April 12, 2018, the Company filed an answer that generally denied all the claims in the complaint. On February 19, 2019, in connection with the settlement of the plaintiff's Delaware action (as discussed below), the parties settled this matter agreeing that the Company would repay this note and accrued interest in full by June 30, 2019. Such settlement was approved by the court on March 4, 2019, and the plaintiff dismissed this action against the Company without prejudice. No additional consideration was paid by the Company to the plaintiff related to this settlement. At March 31, 2021 the promissory note has not been paid and is currently past due. Refer to Note 8 – Noes Payable where the related amounts are disclosed.

On April 10, 2018, Joseph Schnaier, Danco Enterprises, LLC (an entity solely owned by Mr. Schnaier, "Danco"), Wantmcs Holdings, LLC (Mr. Schnaier is the managing member) and Wantickets (Mr. Schnaier is the 90% beneficial owner) filed a complaint in the Supreme Court of the State of New York, County of New York against each of the Company, LXL Tickets, Robert S. Ellin, Alec Ellin, Blake Indursky and Computershare Trust Company, N.A. ("Computershare"). Plaintiffs subsequently voluntarily dismissed all claims against Alec Ellin and Blake Indursky. The complaint alleged multiple causes of action arising out of Schnaier's investment (through Danco) of $1.25 million into the Company in 2016, the Company's purchase of certain operating assets of Wantickets pursuant to the Asset Purchase Agreement, dated as of May 5, 2017, and Mr. Schnaier's employment with LXL Tickets, including claims for fraudulent inducement, breach of contract, conversion, and defamation. Plaintiffs seek monetary damages and injunctive relief. Plaintiffs have also sued Computershare for negligence and for injunctive relief relating to the refusal to transfer certain restricted shares of the Company's common stock owned by the plaintiffs. Plaintiffs are seeking injunctive relief, damages of approximately $26.7 million, plus interest, attorneys' fees and costs and other such relief as the court may award. The Company has denied plaintiffs' claims. The Company believes that the complaint is an intentional act by the plaintiffs to publicly tarnish the Company's and its senior management's reputations through the public domain in an effort to obtain by threat of litigation certain results for Mr. Schnaier's self-serving and improper purposes. The Company is vigorously defending this lawsuit, and the Company believes that the allegations are without merit and that it has strong defenses. On June 26, 2018, the Company and LXL Tickets, filed counterclaims against the plaintiffs for breach of contract (including under the Asset Purchase Agreement), fraudulent inducement, and other causes of action, seeking injunctive relief, damages, attorneys' fees and expenses and such other relief as the court may award. The parties are currently engaged in pre-trial proceedings, including continuing discovery efforts with the trial not expected to commence, if any, until the Company's fiscal year ending March 31, 2022 (unless further delayed as a result of the COVID-19 pandemic). In October 2018, pursuant to the terms of the APA, the Company submitted a formal demand to Wantickets, Mr. Schnaier and Danco to indemnify the Company, among other things, for its costs and expenses incurred in connection with this matter. As of March 31, 2021, all of plaintiffs' claims other than fraudulent inducement and breach of the employment agreement have been dismissed or addressed by the parties or the court. While a trial date has not yet been set, the Company expects to commence trial sometime during the fiscal year ended March 31, 2022. The Company intends to continue to vigorously defend all defendants against any liability to the plaintiffs with respect to the remaining claims. As of March 31, 2021, while the Company has assessed the likelihood of a loss, if any, is not probable, the outcome of this lawsuit is inherently uncertain and the potential range of loss could have a material adverse effect on the Company's business, financial condition and results of operations.

During each of the years ended March 31, 2021 and 2020, the Company recorded aggregate legal settlement expenses relating to potential claims arising in connection with litigation brought against the Company by certain third-parties of less than $0.1 million and $0.2 million, respectively. During the years ended March 31, 2021 and 2020, the full amounts were expensed and included in general and administrative expenses.

From time to time, the Company is involved in legal proceedings and other matters arising in connection with the conduct of its business activities. Many of these proceedings may be at preliminary stages and/or seek an indeterminate amount of damages. In the opinion of management, after consultation with legal counsel, such routine claims and lawsuits are not significant and we do not currently expect them to have a material adverse effect on our business, financial condition, results of operations, or liquidity.

Note 16 — Employee Benefit Plan

Effective March 2019, the Company sponsors a 401(k) plan (the "401(k) Plan") covering all employees. Prior to March 31, 2019, only Slacker employees were eligible to participate in the 401(k) Plan. Employees are eligible to participate in the 401(k) Plan the first day of the calendar month following their date of hire. The Company may make discretionary matching contributions to the 401(k) Plan on behalf of its employees up to a maximum of 100% of the participant's elective deferral up to a maximum of 5% of the employees' annual compensation. The Company's matching contributions were not material to the financial statements for the years ended March 31, 2021 and 2020, respectively.

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Note 17 — Stockholders' Equity

Issuance of Common Stock in Private Offerings

In July 2020, the Company issued directly to a certain institutional investor and another investor a total of 1,820,000 shares of the Company's common stock for net proceeds of approximately $7.3 million after offering costs at a price per share of $4.14. The offering of the shares was made pursuant to the Shelf S-3 and a prospectus supplement related to the offering filed with the SEC on July 23, 2020.

On July 25, 2019, in a registered direct public offering, the Company entered into securities purchase agreements with certain institutional investors pursuant to which the Company sold a total of 5,000,000 shares of its common stock at a price per share of $2.10. The gross proceeds to the Company were $10.5 million. The net proceeds of the offering to the Company were $9.5 million, after deducting placement agent fees and other offering expenses totaling $1.0 million paid by the Company. The offering of the shares was made pursuant to the Shelf S-3 and a prospectus supplement related to the offering filed with the SEC on July 26, 2019.

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

During year ended March 31 2021, the Company issued 4,061,326 shares of its common stock and restricted common stock valued at $12.6 million to certain Company consultants and vendors of which $8.8 million relates to shares issued to settle accounts payable which includes the shares issued to MBRG Investors, LLC and the shares issued to a certain music partner and $3.8 million relates to shares issued in exchange for services and is included in share-based compensation. Additionally, the Company incurred $1.2 million in accounts payable and accrued liabilities for stock earned by its consultants, but not yet issued. The remaining unrecognized compensation cost associated with restricted shares of common stock issued to consultants and vendors of $0.3 million is expected to be recorded over the next year as the shares vest.

During the year ended March 31, 2020, the Company issued 1,709,146 shares of its restricted common stock valued at $4.2 million to certain Company consultants and vendors. Additionally, the Company had $0.4 million in accounts payable and accrued liabilities for stock earned by its consultants, but not yet issued at March 31, 2020.

During the year ended March 31, 2020, Slacker entered into an amendment to an existing agreement with a certain licensor of music content (the “Music Partner”) which owns and licenses rights to Slacker to certain sound recordings. Pursuant to this amendment the Company issued the Music Partner $0.4 million in restricted shares of the Company’s common stock, at a price of approximately $4.51 per share, as full payment of certain amounts due under such agreement.

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

Issuance of Common Stock to Certain Music Partner

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

In July 2020, the Company issued to a certain music licensor 2,415,459 shares (the “Shares”) of its common stock at a price of $3.28 per share, to satisfy the Company’s payment obligation in the amount of $10.0 million owed to such music licensor (the “Threshold Amount”). These shares issued are included in the total number of shares issued to consultants and vendors above. In the event that the value of the Shares as of September 30, 2020 was less than the Threshold Amount, the Company agreed to make an additional cash payment to such music licensor in an amount equal to the difference between (i) the Threshold Amount and (ii) the sum of (x) the net proceeds of any sales of the Shares by the music licensor plus (y) the aggregate value of the Shares not sold by the music licensor as of such date. As of March 31, 2021, the Company accrued $1.8 million related to additional cash payment required which is included in Accrued Royalties in the consolidated balance sheet and classified as a current liability. The shares were issued pursuant to the Shelf S-3 and a prospectus supplement related to the offering of these shares filed with the SEC on July 22, 2020. The Company did not receive any cash proceeds from the offering of these shares.

2016 Equity Incentive Plan

The Company's board of directors and stockholders approved the Company's 2016 Equity Incentive Plan, as amended (the "2016 Plan") which reserved a total of 12,600,000 shares of the Company's common stock for issuance. On September 17, 2020, our stockholders approved the amendment to the 2016 Plan to increase the number of shares available for issuance under the plan by 5,000,000 shares increasing the total up to 17,600,000 shares. Incentive awards authorized under the 2016 Plan include, but are not limited to, nonqualified stock options, incentive stock options, restricted stock awards, restricted stock units, performance grants intended to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and stock appreciation rights. If an incentive award granted under the 2016 Plan expires, terminates, is unexercised or is forfeited, or if any shares are surrendered to the Company in connection with the exercise of an incentive award, the shares subject to such award and the surrendered shares will become available for further awards under the 2016 Plan.

The Company recognized share-based compensation expense of $11.2 million and $12.0 million during the years ended March 31, 2021 and 2020, respectively. The total tax benefit recognized related to share-based compensation expense was $0 for the years ended March 31, 2021 and 2020.

The maximum contractual term for awards is 10 years. As of March 31, 2021, there were 5,599,030 shares of common stock available for future issuance under the 2016 Plan.

Options Grants to Employees

As of March 31, 2021, unrecognized compensation costs for unvested awards to employees was $1 million, which is expected to be recognized over a weighted-average service period of 6.7 years.

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

	Year Ended March 31, 2021	Year Ended March 31, 2020
Number of options granted	350,000	195,000
Weighted-average exercise price per share	$ 4.11	$ 2.39
Weighted-average grant date fair value per share	$ 1.85	$ 1.14

The grant date fair value of each of these option grants to employees was determined using the Black-Sholes-Merton option-pricing model with the following assumptions:

	Year Ended March 31, 2021	Year Ended March 31, 2020
Expected volatility	53.97% - 73.61%	47.79% - 50.62%
Dividend yield	0.00%	0.00%
Risk-free rate	0.22% - 0.46%	0.37% - 1.88%
Expected term (in years)	5.25 - 7.00	5.50 - 7.00

The following table summarizes the activity of our options issued to employees during the years ended March 31, 2021 and 2020:

	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding as of April 1, 2019	4,880,001	$ 3.95
Granted	195,000	2.39
Exercised	-	-
Forfeited or expired	(671,667)	4.87
Outstanding as of March 31, 2020	4,403,334	3.74
Granted	350,000	4.11
Exercised	(654,250)	3.90
Forfeited or expired	(177,500)	4.00
Outstanding as of March 31, 2021	3,921,584	3.74
Exercisable as of March 31, 2021	3,454,170	3.75

The weighted-average remaining contractual term for options to employees outstanding and options to employees exercisable as of March 31, 2021 was 7 years and 6.7 years, respectively. The intrinsic value of options to employees outstanding and options to employees exercisable was $2.4 million and $2.0 million, respectively, at March 31, 2021.

On April 11, 2018, the Company granted options to purchase 1,326,667 shares of common stock to 4 key executives. In FY21, the Board of Directors approved an amendment to the key executive's employment agreement which modified the exercise periods associated with these options. The modified terms approved by the Board of Directors, which extended the original exercise period from 3 to 12 months, resulted in incremental fair value which was recognized as incremental share-based compensation expense of $0.9 million during the year ended March 31, 2021.

Options Grants to Non-Employees

As of March 31, 2021, there were no unrecognized compensation costs for unvested awards to non-employees. There were no option grants to non-employees for the last two fiscal years.

The following table summarizes the activity of our options issued to non-employees during the years ended March 31, 2021 and 2019:

	Number of Shares	Weighted-Average Exercise Price per Share
Outstanding as of April 1, 2019	101,667	$ 4.00
Granted	-	-
Exercised	-	-
Forfeited or expired	(76,667)	4.00
Outstanding as of March 31, 2020	25,000	4.00
Granted	-	-
Exercised	-	-
Forfeited or expired	-	-
Outstanding as of March 31, 2021	25,000	4.00
Exercisable as of March 31, 2021	25,000	4.00

The weighted average remaining contractual term for options to non-employees outstanding as of March 31, 2021 was 6.9 years. The intrinsic value of options to non-employees outstanding and options to non-employees exercisable was $0 at March 31, 2021.

Restricted Stock Units Grants

As of March 31, 2021, unrecognized compensation costs for unvested awards to employees was $8.2 million, which is expected to be recognized over a weighted-average service period of 1.13 years.

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

	Year Ended March 31, 2021	Year Ended March 31, 2020
Number of units granted	1,914,136	4,048,306
Weighted-average grant date fair value per share	$ 3.15	$ 2.12

The following table summarizes the activity of our restricted stock units issued to employees during the years ended March 31, 2021 and 2020:

	Number of Shares
Outstanding as of April 1, 2019	1,337,391
Granted	4,048,306
Vested	(761,583)
Cancelled	(93,409)
Outstanding as of March 31, 2020	4,530,705
Granted	1,914,136
Vested	(1,641,082)
Cancelled	(290,843)
Outstanding as of March 31, 2021	4,512,916

Restricted Stock Awards

The following table summarizes the activity of our restricted stock awards made to employees during the years ended March 31, 2021 and 2020:

	Number of Shares
Outstanding as of April 1, 2019	-
Granted	24,675
Outstanding as of March 31, 2020	24,675
Granted	-
Vested	-
Cancelled	(24,675)
Outstanding as of March 31, 2021	-

In April 2018, the Company granted 1,150,000 restricted stock units to 2 key executives. In FY21 ("the Modification Date"), the Board of Directors approved an amendment to the key executives' employment agreement which modified the vesting terms associated with these awards. The modified vesting terms approved by the Board of Directors, which modified the number of shares issued and the timing of vesting, resulted in an additional 464,557 units probable of vesting as of the Modification Date. This resulted in incremental share-based compensation expense of $0.3 million during the year ended March 31, 2021.

Issuance of Restricted Shares of Common Stock for Services to Employees

During each of the years ended March 31, 2021 and 2020, the Company issued 0 shares of its restricted common stock to employees. As of March 31, 2021 and 2020, there was no remaining unrecognized compensation cost related to these awards.

Additional details of the Company's issuances of its restricted common stock to employees during the years ended March 31, 2021 and 2020 are as follows:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Unvested as of April 1, 2019	15,278	$ 5.01
Granted	-	-
Vested	(15,278)	5.01
Forfeited or expired	-	-
Unvested as of March 31, 2020	-	-
Granted	-	-
Vested	-	-
Forfeited or expired	-	-
Unvested as of March 31, 2021	-	-

Warrants

The table below summarizes the Company's warrant activities:

	Number of Warrants	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)
Balance outstanding, April 1, 2019	167,363	$ 4.01	1.94
Granted	-	-	-
Exercised	-	-	-
Forfeited/expired	-	-	-
Balance outstanding, March 31, 2020	167,363	4.01	0.94
Granted	-	-	-
Exercised	-	-	-
Forfeited/expired	(167,363)	4.01	0.94
Balance outstanding, March 31, 2021	-	-	-
Exercisable, March 31, 2021	-	-	-

Authorized Common Stock and Creation of Preferred Stock

The Company has the authority to issue up to 501,000,000 shares, consisting of 500,000,000 shares of the Company's common stock and 10,000,000 shares of the Company's preferred stock, $0.001 par value per share (the "preferred stock").

The Company may issue shares of preferred stock from time to time in one or more series, each of which will have such distinctive designation or title as shall be determined by the Company's board of directors and will have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issue of such class or series of preferred stock as may be adopted from time to time by the Company's board of directors. The Company's board of directors will have the power to increase or decrease the number of shares of preferred stock of any series after the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased, the shares constituting such decrease will resume the status of authorized but unissued shares of preferred stock.

While the Company does not currently have any plans for the issuance of preferred stock, the issuance of such preferred stock could adversely affect the rights of the holders of common stock and, therefore, reduce the value of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of the common stock until and unless the Company's board of directors determines the specific rights of the holders of the preferred stock; however, these effects may include: restricting dividends on the common stock, diluting the voting power of the common stock, impairing the liquidation rights of the common stock, or delaying or preventing a change in control of the Company without further action by the stockholders.

Stock Repurchase Program

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

Note 18 — Income Tax Provision

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

The Company's income tax provision can be affected by many factors, including the overall level of pre-tax income, the mix of pre-tax income generated across the various jurisdictions in which the Company operates, changes in tax laws and regulations in those jurisdictions, changes in valuation allowances on its deferred tax assets, tax planning strategies available to the Company, and other discrete items.

The components of pretax loss and income tax (benefit) expense are as follows (in thousands):

	Year Ended March 31,	
	2021	2020
Loss before income taxes:		
Domestic	$ (42,165)	$ (39,119)
Foreign	-	-
Total loss before income taxes	$ (42,165)	$ (39,119)
The provision for income taxes consisted of the following:		
Current		
U.S. Federal	$ -	$ -
State	14	18
Foreign	-	-
Total Current	14	18
Deferred:		
U.S. Federal	(330)	(96)
State	(29)	(114)
Foreign	-	-
Total Deferred	(359)	(210)
Total provision for income taxes	$ (345)	$ (192)

The differences between income taxes expected at U.S. statutory income tax rates and the income tax provision are as follows (in thousands):

	Year Ended March 31,	
	2021	2020
Income taxes computed at Federal statutory rate	$ (8,855)	$ (8,214)
State tax — net of federal benefit	(888)	(839)
State minimum taxes	14	18
Change in tax rates	(375)	926
Change in valuation allowance	7,165	5,959
Permanent differences	2,594	1,958
Total provision for income taxes	$ (345)	$ (192)

At March 31, 2021, the Company had available federal and state net operating loss carryforwards to reduce future taxable income of approximately $113 million and $78.7 million, respectively. The federal and state net operating loss carryforwards begin to expire on various dates beginning in 2024. Of the $113 million of federal net operating loss carryforwards, $54.1 million was generated in tax years beginning before March 31, 2018 and is subject to the 20-year carryforward period ("pre-Tax Act losses"), the remaining $58.9 million ("post-Tax Act losses") can be carried forward indefinitely but is subject to the 80% taxable income limitation.

The Company obtained $136 million and $2.6 million of net operating loss and credit carryforwards, respectively, through the acquisition of Slacker, Inc. in December 2017. Utilization of these losses is limited by Section 382 and 383 of the Code in fiscal year end March 31, 2018 and each taxable year thereafter. The Company has estimated a limitation and revalued the losses and credits at $22 million and $0, respectively. It is possible that the utilization of these NOL carryforwards and tax credits may be further limited. The Company will undertake a study to determine the applicable limitations, if any. Upon the attainment of taxable income by the Company, management will assess the likelihood of realizing the tax benefit associated with the use of the carryforwards and will recognize the appropriate deferred tax asset at that time.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by the federal and state jurisdictions where applicable. There are currently no pending income tax examinations. The Company's tax years for 2016 and forward are subject to examination by the federal tax authorities and tax years for 2015 and forward are subject to examination by California tax authorities due to the carryforward of unutilized net operating losses.

The Company's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of March 31, 2021 and 2020, the Company has not accrued interest or penalties related to uncertain tax positions.

Significant components of the Company's deferred income tax assets and (liabilities) are as follows as of (in thousands):

	Year Ended March 31,	
	2021	**2020**
Deferred tax assets:		
Net operating loss carryforwards	$ 25,994	$ 20,370
Property and equipment	307	190
Accruals and reserves	2,060	716
Stock compensation	4,653	4,845
163 (j) interest expense carryforwards	832	378
Charitable contribution carryforward	63	7
Capital loss carryforward	522	509
Gross deferred tax assets	34,431	27,015
Deferred tax liabilities:		
Intangible assets	(4,951)	(5,032)
Net deferred tax assets	29,480	21,983
Valuation allowance	(29,617)	(22,091)
Net deferred tax liability	$ (137)	$ (108)

As the ultimate realization of the potential benefits of a portion of the Company's deferred tax assets is considered unlikely by management, the Company has offset the deferred tax assets attributable to those potential benefits through valuation allowances. Accordingly, the Company did not recognize any benefit from income taxes in the accompanying Consolidated Statements of Operations to offset its pre-tax losses. The valuation allowance against deferred tax assets is $29.6 million and $22.1 million for the years ended March 31, 2021 and 2020, respectively.

Note 19 — Business Segment and Geographic Reporting

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

Management has determined that the Company has one operating segment. The Company's reporting segment reflects the manner in which its chief operating decision maker ("CODM") reviews results and allocates resources. The CODM reviews operating segment performance exclusive of: share-based compensation expense, amortization of intangible assets, depreciation, and other expenses (including legal fees, expenses, and accruals) related to acquisitions, associated integration activities, and certain other non-cash charges.

Our single operating segment is also consistent with our internal organizational structure, the way we assess operating performance and allocate sources.

Customers

The Company has one external customer that accounts for more than 10% of its revenue. Such original equipment manufacturer (the "OEM") provides premium Slacker service in its new vehicles. Total revenues from the OEM were $23.3 million and $23.1 million for the years ended March 31, 2021 and 2020.

Geographic Information

The Company operates as an Internet live music streaming platform based in the United States. All material revenues of the Company are derived from the United States. All long-lived assets of the Company are located in the United States.

Note 20 — Fair Value Measurements

The following table presents the fair value of the Company's financial liabilities that are measured at fair value on a recurring basis (in thousands):

	March 31, 2021			
	Fair	Hierarchy Level		
	Value	Level 1	Level 2	Level 3
Liabilities:				
Contingent consideration liability from PodcastOne acquisition	$ 2,423	$ -	$ -	$ 2,423
Contingent consideration liability from CPS acquisition	2,513	-	-	2,513
Bifurcated embedded derivative on senior secured convertible notes payable	118	-	-	118
Bifurcated embedded derivative on unsecured convertible note payable	13	-	-	13
	$ 5,067	$ -	$ -	$ 5,067

	March 31, 2020			
	Fair	Hierarchy Level		
	Value	Level 1	Level 2	Level 3
Liabilities:				
Bifurcated embedded derivative on senior secured convertible debentures	$ 524	$ -	$ -	$ 524
Bifurcated embedded derivative on unsecured convertible note payable	141	-	-	141
	$ 665	$ -	$ -	$ 665

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

	Amount
Balance as of April 1, 2019	$ 586
Additions - unsecured convertible note payable	65
Total fair value adjustments reported in earnings	14
Balance as of March 31, 2020	665
Initial measurement of contingent consideration from PodcastOne acquisition on July 1, 2020	1,100
Initial measurement of contingent consideration from CPS acquisition on December 22, 2020	1,654
Initial measurement of embedded derivatives on senior secured convertible notes issued on September 15, 2020	671
Total fair value adjustments reported in earnings	977
Balance as of March 31, 2021	$ 5,067

Bifurcated embedded derivative on senior secured convertible debentures, senior secured convertible notes payable and unsecured convertible notes payable

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

	March 31, 2021	March 31, 2020
Bifurcated embedded derivative on senior secured convertible debentures Market yield	-	27.4%
Bifurcated embedded derivative on senior secured convertible notes payable Market yield	17.0%	-
Bifurcated embedded derivative on unsecured convertible note payable Market yield	26.5%	43.9%

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

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

	March 31, 2021			
	Carrying	Hierarchy Level		
	Value	Level 1	Level 2	Level 3
Liabilities:				
Senior secured convertible notes payable, net	13,047	-	-	20,228
Unsecured convertible notes payable related party, net	5,501	-	-	9,216
Unsecured convertible note payable	1,976	-	-	2,167

	March 31, 2020			
	Carrying	Hierarchy Level		
	Value	Level 1	Level 2	Level 3
Liabilities:				
Senior secured convertible debentures, net	8,701	-	-	9,254
Unsecured convertible notes payable, net	5,114	-	-	4,451
Unsecured convertible note payable	1,539	-	-	1,338

The fair values of financial assets and liabilities not included in these tables are estimated to be equal to their carrying values as of March 31, 2021 and 2020. The Company's estimates of the fair values were determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop the estimated fair values.

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

	Year Ended March 31,	
	2021	2020
Senior secured convertible debentures, net (binomial lattice model):		
Market yield	-	27.4%
Senior secured convertible notes payable, net (binomial lattice model):		
Market yield	17.0%	-
Unsecured convertible notes payable related party, net (yield model with a Black-Scholes-Merton option pricing model):		
Market yield	23.0%	41.6%
Unsecured convertible note payable (yield model with a Black-Scholes-Merton option pricing model):		
Market yield	26.5%	43.9%

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

Cash equivalents and restricted cash equivalents primarily consisted of short-term interest-bearing money market funds with maturities of less than 90 days and time deposits. The estimated fair values were based on available market pricing information of similar financial instruments.

Due to their short maturity, the carrying amounts of the Company's accounts receivable, accounts payable and accrued expenses approximated their fair values at March 31, 2021 and 2020.

The Company's note payable is not publicly traded and fair value is estimated to equal carrying value. The Company's debentures and unsecured convertible notes payable with fixed rates are not publicly traded and the Company has estimated fair values using a variety of valuation models and market rate assumptions detailed above. The senior convertible notes payable and unsecured convertible notes are valued using a binomial lattice model and a yield model with a Black-Scholes-Merton option pricing model, respectively. The Company has estimated the fair value of contingent consideration related to the acquisitions of PodcastOne and CPS based on the number of shares issuable based on the achievement of certain provisions within the purchase agreement, as detailed in Note 4 – Business Combinations, using the quoted price of the Company's common stock. The inputs used to fair value the contingent consideration on the date of acquisition were also used as of the balance sheet date.

Note 21 — Subsequent Events

Subsequent to March 31, 2021, LiveXLive received notification from its lenders of the Small Business Administration's Payroll Protection Program ("PPP") that the balance of the approximately $2.5 million of PPP loans were forgiven. Refer to Note 8 – Notes Payable, for further details.

On April 27, 2021, LiveXLive, Corp., the Company's wholly owned subsidiary, entered into a binding letter of intent with Modern Drummer Publications, Inc. ("Modern Drummer") to acquire 100% of the equity interests of Modern Drummer in exchange for consideration comprising of cash and shares of the Company, the number of shares being dependent upon certain closing conditions. The proposed acquisition is subject to approval of the Company's board of directors along with other customary closing conditions. The acquisition of Modern Drummer is expected to close in July 2021.

On May 26, 2021, the Company entered into a binding letter of intent with Gramophone Media Inc., ("Seller") to acquire 100% of the equity interests in the Seller in exchange for consideration comprising of cash and shares of the Company, the number of shares being dependent upon certain closing conditions. The terms of the agreement, including the Purchase Price, are subject to approval of the Company's Board of Directors along with other customary closing conditions. The acquisition of the Seller is expected to close in July 2021.

Effective as of June 7, 2021 (the "Closing Date"), LiveXLive Media, Inc. (the "Company") entered into a Business Loan Agreement (the "Business Loan Agreement"), with East West Bank (the "Senior Lender"), for revolving credit facility collateralized by all of the assets of the Company and its subsidiaries. The Business Loan Agreement provides for up to $7.0 million in borrowing capacity in the form of a secured first lien revolving credit facility with a maturity date of June 2, 2023 (the "Revolving Credit Facility"). In connection with the Business Loan Agreement, the Company entered into a Promissory Note with the Senior Lender in the principal amount of $7,000,000 (the "Promissory Note"). The net proceeds of the borrowings under the Revolving Credit Facility will be used for the Company's business operations and general working capital.

In connection with the execution of the Revolving Credit Facility, the holders of the Company's 8.5% Senior Secured Convertible Notes (the "Subordinated Lenders") in the aggregate principal amount of $15.0 million (the "Subordinated Notes") agreed to (i) extend the maturity date of the Subordinated Notes to June 3, 2023 and (ii) subordinate their security interest in all of the Company's assets to the Senior Lender. In consideration of such loan extension and subordination, the Company issued to the Subordinated Lenders an aggregate of 60,000 shares (the "Shares") of the Company's common stock, $0.001 par value per share (the "Common Stock"), with piggyback registration rights. The Shares were issued as restricted securities in a private placement transaction exempt from the registration requirements of the Securities Act of 1933, as amended. All other terms of the Subordinated Notes and related transaction documents will remain the same.

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

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 31, 2021, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were not effective as of March 31, 2021 because of material weaknesses in internal control over financial reporting, described in Management's Annual Report on Internal Control Over Financial Reporting below.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of our Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of our Company are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our CEO and CFO, assessed the effectiveness of our internal control over financial reporting as of March 31, 2021, the end of our fiscal year. Our management based its assessment on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our management's assessment included evaluation and testing of the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on our management's assessment, our management has concluded that our internal control over financial reporting was not effective as of March 31, 2021 due to material weaknesses that existed in our internal controls. Our management communicated the results of its assessment to the Audit Committee of our Board of Directors.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on management's assessment of our internal control over financial reporting as of March 31, 2021, the following material weaknesses existed as of that date, specifically relating to the following control activities:

(i) our controls related to the preparation of the financial statements were not adequately designed to ensure the accuracy and completeness of amounts and disclosures and the classification between current and noncurrent liabilities, resulting in errors;

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

(iii) our controls were not adequately designed to allow management to identify errors in the accounting for business combinations. Specifically, these deficiencies resulted in errors related to the determination of purchase consideration, the classification of earnouts, and identification of income tax assets and liabilities resulting from business combinations.; and

(iv) our automated application controls and manual controls relating to revenue and inventory of our recently acquired subsidiary, including the posting of these transactions, sales returns, inventory overhead allocations, and inventory cutoff were not adequately designed, which could have resulted in a material misstatement.

Notwithstanding the material weaknesses discussed above, our management, including our CEO and CFO, concluded that the consolidated financial statements in this Annual Report fairly present, in all material respects, the Company's financial condition, results of operations and cash flows for the periods presented, in conformity with GAAP.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

Our management, with oversight of the Audit Committee of our Board of Directors has identified and begun to implement several steps to remediate the material weaknesses described in this Item 9A and to enhance our overall control environment. During our fiscal year ending March 31, 2022, our management is committed to remediating such material weaknesses through continuing training and hiring of personnel, improving the timeliness of our accounting close process, and continuing to enhance our financial review controls. We are committed to ensuring that our internal controls over financial reporting are designed and operating effectively.

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

Attestation Report of the Independent Registered Public Accounting Firm

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

Changes in Internal Control over Financial Reporting

During the fourth quarter of the fiscal year ended March 31, 2021, we continued the process of integrating the operations of PodcastOne and CPS into our control environment. Certain transaction cycles have been migrated to existing processes and controls. We are in the processes of evaluating the design and operating effectiveness of controls in place around new transaction cycles and will implement any remediations if necessary. Other than this, there have been no changes in our internal control over financial reporting, during the fourth quarter of the fiscal year ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CEO and CFO Certifications

Exhibits 31.1 and 31.2 to this Annual Report are the Certifications of our CEO and the CFO, respectively. These certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act (the "Section 302 Certifications"). This Item 9A. of this Annual Report, which you are currently reading, is the information concerning the Evaluation referred to above and in the Section 302 Certifications, and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

Item 9B. Other Information

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference to our definitive proxy statement for our 2021 Annual Meeting of Stockholders (our "2021 Proxy Statement") to be filed with the SEC within 120 days of our fiscal year end.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference to our 2021 Proxy Statement.

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

The information required by this Item is incorporated by reference to our 2021 Proxy Statement.

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

The information required by this Item is incorporated by reference to our 2021 Proxy Statement.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to our 2021 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) List of Documents Filed.

(1) Financial Statements (Included in Item 8 of this Annual Report)

The consolidated financial statements of LiveXLive Media, Inc. included in this Annual Report include:

- Consolidated Balance Sheets as of March 31, 2021 and 2020
- Consolidated Statements of Operations for the years ended March 31, 2021 and 2020
- Consolidated Statement of Changes in Stockholders' (Deficit) Equity for the years ended March 31, 2021 and 2020
- Consolidated Statements of Cash Flows for the years ended March 31, 2021 and 2020
- Notes to the Consolidated Financial Statements

(2) Financial Statement Schedules

All schedules have been omitted since they are either not applicable or the information is contained elsewhere in this Annual Report.

(b) Exhibits.

Exhibit Number	Description
3.1	Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 8, 2017).
3.2	Certificate of Amendment to the Certificate of Incorporation of the Company, dated as of September 30, 2017 (Incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, Amendment No. 3, filed with the SEC on October 6, 2017).
3.3	Bylaws of the Company (Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed with the SEC on August 8, 2017).
3.4	Amendment No. 1 to the Bylaws of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on January 14, 2021).
4.1	Convertible Promissory Note, dated as of February 5, 2020, between React Presents, LLC and LiveStyle NA Live Holdings, Inc. (Incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K, filed with the SEC on June 26, 2020).
4.2	Promissory Note, dated as of April 13, 2020, between the Company and MidFirst Bank (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 17, 2020).
4.3	8.5% Senior Secured Convertible Note, dated as of September 15, 2020, issued by the Company to Harvest Small Cap Partners, L.P. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on September 21, 2020).
4.4	8.5% Senior Secured Convertible Note, dated as of September 15, 2020, issued by the Company to Harvest Small Cap Partners Master, Ltd. (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the SEC on September 21, 2020).
4.5	Promissory Note, dated as of June 2, 2021, issued by the Company to East West Bank (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 11, 2021).
4.6*	Description of Securities
10.1†	Form of Director/Officer Indemnification Agreement (Incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K, filed with the SEC on April 30, 2014).
10.2†	The Company's 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 14, 2016).
10.3†	Amendment No. 1 to the LiveXLive Media, Inc. 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on February 13, 2019).
10.4†	Form of Director Option Agreement under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 14, 2016).
10.5†	Form of Employee Option Agreement under 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.25 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 14, 2016).
10.6†	Employment Agreement, dated as of September 7, 2017, between the Company and Robert S. Ellin (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on September 8, 2017).
10.7†	Amendment No. 1 to Employment Agreement, dated as of December 15, 2017, between the Company and Robert Ellin (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 15, 2017).
10.8†£	Employment Agreement, dated as of January 28, 2019, between the Company and Michael Bebel (Incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K, filed with the SEC on June 24, 2019).

10.9†	Employment Agreement, dated as of July 15, 2019, between the Company and Dermot McCormack (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 19, 2019).
10.10	Amendment, dated as of September 20, 2019, to the Interactive Radio Agreement between Slacker, Inc. and a certain licensor of music content (Incorporated by reference to Exhibit 10.26 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 8, 2019).
10.11£	Amendment, dated as of September 27, 2019, to the Amended and Restated Interactive Radio and Music Services Agreement between Slacker, Inc. and a certain licensor of music content (Incorporated by reference to Exhibit 10.27 to the Company's Quarterly Report on Form 10-Q, filed with the SEC on November 8, 2019).
10.12	Membership Interest Purchase Agreement, dated as of February 5, 2020, among the Company, LiveXLive Events, LLC and LiveStyle NA Live Holdings, Inc. (Incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K, filed with the SEC on June 26, 2020).
10.13	Stock Purchase Agreement, dated as of May 7, 2020, by and among the Company, Courtside Group, Inc., LiveXLive PodcastOne, Inc., the persons identified as "Sellers" on the signature pages thereto, and Norman Pattiz, as the representative of the Sellers (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on May 8, 2020).
10.14£	Securities Purchase Agreement, dated as of July 2, 2020, between the Company and the Purchaser (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 6, 2020).
10.15£	Amendment No. 1 to Securities Purchase Agreement, dated as of July 30, 2020, between the Company and the Purchaser (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 5, 2020).
10.16	Subsidiary Guarantee, dated as of September 15, 2020, made by each of the Guarantors, in favor of the Secured Party (as defined therein) (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the SEC on September 21, 2020).
10.17	Security Agreement, dated as of September 15, 2020, among the Company, the Guarantors and the Secured Party (as defined therein) (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed with the SEC on September 21, 2020).
10.18	Intellectual Property Security Agreement, dated as of September 15, 2020, among the Company, the Guarantors and the Secured Party (as defined therein) (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed with the SEC on September 21, 2020).
10.19	Registration Rights Agreement, dated as of September 15, 2020, among the Company and the Buyer (as defined therein). (Incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, filed with the SEC on September 21, 2020).
10.20*	Amendment of Notes Agreement, dated as of June 3, 2021, between the Company and Harvest Small Cap Partners, L.P.
10.21*	Amendment of Notes Agreement, dated as of June 3, 2021, between the Company and Harvest Small Cap Partners, Ltd.
10.22†	Employment Agreement, dated as of November 16, 2020, between the Company and Michael Quartieri (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on November 20, 2020).
10.23	Stock Purchase Agreement, dated as of December 22, 2020, among the Company, Custom Personalization Solutions, Inc., LiveXLive Merchandising, Inc., the persons identified as "Sellers" on the signature pages thereto, and Scott R. Norman, as the representative of the Sellers (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on December 30, 2020).
10.24	Business Loan Agreement, dated as of June 2, 2021, between the Company and East West Bank (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on June 11, 2021).
10.25	Commercial Security Agreement, dated as of June 2, 2021, between the Company and East West Bank (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the SEC on June 11, 2021).
10.26	Amendment No. 2 to the LiveXLive Media, Inc. 2016 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the SEC on July 6, 2021).
21.1*	List of subsidiaries of the Company.
23.1*	Consent of BDO USA, LLP, independent registered public accounting firm.
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

† Management contract or compensatory plan or arrangement.
£ Certain confidential information has been omitted or redacted from these exhibits that is not material and would likely cause competitive harm to the Company if publicly disclosed.
* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIVEXLIVE MEDIA, INC.

Date: July 14, 2021	By:	/s/ *Robert S. Ellin*
	Name:	Robert S. Ellin
	Title:	Chief Executive Officer and Chairman (Principal Executive Officer)
Date: July 14, 2021	By:	/s/ *Michael Quartieri*
	Name:	Michael Quartieri
	Title:	Chief Financial Officer and Executive Vice President (Principal Financial Officer and Principal Accounting Officer)

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

Signature	Title	Date
/s/ *Robert S. Ellin* Robert S. Ellin	Chief Executive Officer, Chairman and Director	July 14, 2021
/s/ Jay Krigsman Jay Krigsman	Director	July 14, 2021
/s/ *Craig Foster* Craig Foster	Director	July 14, 2021
/s/ Maria Garrido Maria Garrido	Director	July 14, 2021
/s/ Ramin Arani Ramin Arani	Director	July 14, 2021
/s/ Patrick Wachsberger Patrick Wachsberger	Director	July 14, 2021
/s/ Kenneth Solomon Kenneth Solomon	Director	July 14, 2021
/s/ Bridget Baker Bridget Baker	Director	July 14, 2021
/s/ Kristopher Wright Kristopher Wright	Director	July 14, 2021

Exhibit 4.6

DESCRIPTION OF CAPITAL STOCK

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

The following description of the common stock is a summary and does not purport to be complete. A copy of our Certificate of Incorporation, as amended (the "Certificate of Incorporation"), and our Bylaws, as amended (the "Bylaws"), have been filed as Exhibits 3.1 and 3.3, respectively, to our Annual Report on Form 10-K for the year ended March 31, 2021 (the "Annual Report"). Our common stock and the rights of the holders of our common stock are subject to the applicable provisions of the General Corporation Law of the State of Delaware (the "DGCL"), our Certificate of Incorporation and our Bylaws, as well as some of the terms of our outstanding indebtedness. The description below of our common stock and provisions of our Certificate of Incorporation and our Bylaws are summaries and are qualified by reference to the Certificate of Incorporation and our Bylaws, and by the applicable provisions of the DGCL. We encourage you to read that law and those documents carefully.

General

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

As of July 9, 2021, there were 0 and 77,553,472 shares of our preferred stock and common stock outstanding, respectively.

As of July 9, 2021, we had 429 holders of record of our common stock, which excludes stockholders whose shares were held in nominee or street name by brokers. The actual number of common stockholders is greater than the number of record holders and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Common Stock

Voting

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

Dividends

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

Liquidation

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

Rights and Preferences

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

Fully Paid and Nonassessable

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

Preferred Stock

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

Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control that may otherwise benefit holders of our common stock and may adversely affect the market price of the common stock and the voting and other rights of the holders of common stock. As of March 31, 2021, there were no shares of our preferred stock outstanding, and we have no current plans to issue any shares of our preferred stock.

Authorized and Unissued Capital Stock

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

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

Warrants

As of March 31, 2021, there were 0 warrants outstanding.

Options

As of March 31, 2021, we had entered into agreements to grant options to our employees to purchase 3,921,584 shares of our common stock under the 2016 Equity Incentive Plan, as amended (the “Plan”), at a weighted average exercise price of $3.74 per share. As of March 31, 2021, we had entered into agreements to grant options to our non-employees to purchase 25,000 shares of our common stock under the Plan at a weighted average exercise price of $4.00 per share.

For a description of our other equity grants and awards, see Note 17 – Stockholders’ Equity to our consolidated financial statements included in the Annual Report.

Delaware Anti-Takeover Law and Certain Charter and Bylaw Provisions

Delaware Anti-Takeover Statute

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

- prior to the date of the transaction, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding, but not the outstanding voting stock owned by the interested stockholder, (1) shares owned by persons who are directors and also officers and (2) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the date of the transaction, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

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

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

Bylaws

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

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

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

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

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

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

Special Meetings

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

Requirements for Notice of Stockholder Director Nominations and Stockholder Business

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

Listing

Our common stock is listed for quotation on The NASDAQ Capital Market under the symbol “LIVX.”

Transfer Agent and Registrar

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

Exhibit 10.20

AMENDMENT OF NOTES AGREEMENT

This Amendment of Notes Agreement (this "Agreement"), dated as of June 3, 2021 and effective as of the same date (the "Effective Date"), is entered into between LiveXLive Media, Inc., a Delaware corporation (the "Company"), and Harvest Small Cap Partners, L.P., a Delaware limited partnership (the "Noteholder").

Recitals

WHEREAS, the Company and the Noteholder desire to extend the maturity dates of a certain promissory note issued by the Company to the Noteholder.

Agreement

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties, the parties mutually agree as follows:

1. The parties agree to extend the maturity date of the Company's 8.5% senior secured convertible note in the aggregate amount of $4,496,035 (the "Note"), originally issued to the Noteholder on September 15, 2020, to June 3, 2023. In addition, in consideration of the Noteholder agreeing to subordinate to its secured position in the Collateral (as defined in the Note) to East West Bank (the "Senior Lender), the Noteholder agrees to suspend all Account Control Agreement requirements in the Transaction Documents (as defined in the Note) for as long as the Company's obligations continue to Senior Lender. In consideration of the Noteholder agreeing to extend the maturity dates of the Note, the Company agrees to issue to the Noteholder 17,984 shares of the Company's restricted common stock, $0.001 par value per share (the "Shares"). The Shares shall be deemed to be Registrable Securities for purposes of the Piggyback Registration rights set forth in the Registration Rights Agreement, dated as of September 15, 2020, entered into among the Company, the Noteholder and Harvest Small Cap Partners Master, Ltd. and any other Transaction Document (as defined in the Note), as applicable. Any and all share and conversion price numbers set forth in this Agreement shall be proportionately adjusted as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise of the Company.

2. Each party represents and warrants to the other party that such first party has full power and authority to enter into this Agreement, and such agreement constitutes his valid and legally binding obligation, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited bylaws relating to the availability of specific performance, injunctive relief or other equitable remedies.

3. Except as set forth herein, the Notes are hereby ratified and reaffirmed and shall remain in full force and effect. Except as set forth herein, this Agreement is not a novation and the terms and conditions of this Agreement shall be in addition to and supplemental to all terms and conditions set forth in the Notes. In the event of any conflict or inconsistency between this Agreement and the terms of the Notes, the terms of this Agreement shall be controlling, but the Notes and the Transaction Documents shall not otherwise be affected or the rights therein impaired.

4. The Noteholder represents and warrants to the Company that the Noteholder is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended. The Company and the Noteholder agree that all certificates or book entry statements representing all Shares of the Company which at any time are subject to the provisions of this Agreement shall have endorsed upon them standard legends representing restrictions on transfer applicable under the Act.

5. This Agreement, the Note and the Transaction Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of Agreement, the Note and the Transaction Documents merge into this Agreement and the Notes.

6. This Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflicts of laws rules or provisions.

7. The parties agree to take all such further action(s) as may reasonably be necessary to carry out the transactions contemplated hereunder as soon as practicable.

8. This Agreement shall inure to the benefit of and shall be binding on and shall be enforceable by the parties and their respective, successors and permitted assigns.

9. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

10. This Agreement may be executed in one or more counterparts and by the parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

[*Signature page follows*]

The parties agree for and on behalf of their respective party as of the first date written above.

COMPANY:

LiveXLive Media, Inc.

By: /s/ *Michael Quartieri*
Name: Michael Quartieri
Title: CFO

NOTEHOLDER:

Harvest Small Cap Partners, L.P.

By: /s/ *Jeff Osher*
Name: Jeff Osher
Title: Managing Member

AMENDMENT OF NOTES AGREEMENT

This Amendment of Notes Agreement (this "Agreement"), dated as of June 3, 2021 and effective as of the same date (the "Effective Date"), is entered into between LiveXLive Media, Inc., a Delaware corporation (the "Company"), and Harvest Small Cap Partners Master, Ltd., a Delaware limited partnership (the "Noteholder").

Recitals

WHEREAS, the Company and the Noteholder desire to extend the maturity dates of a certain promissory note issued by the Company to the Noteholder.

Agreement

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties, the parties mutually agree as follows:

1. The parties agree to extend the maturity date of the Company's 8.5% senior secured convertible note in the aggregate amount of $10,503,965 (the "Note"), originally issued to the Noteholder on September 15, 2020, to June 3, 2023. In addition, in consideration of the Noteholder agreeing to subordinate to its secured position in the Collateral (as defined in the Note) to East West Bank (the "Senior Lender), the Noteholder agrees to suspend all Account Control Agreement requirements in the Transaction Documents (as defined in the Note) for as long as the Company's obligations continue to Senior Lender. In consideration of the Noteholder agreeing to extend the maturity dates of the Note, the Company agrees to issue to the Noteholder 42,016 shares of the Company's restricted common stock, $0.001 par value per share (the "Shares"). Any and all share and conversion price numbers set forth in this Agreement shall be proportionately adjusted as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise of the Company.

2. Each party represents and warrants to the other party that such first party has full power and authority to enter into this Agreement, and such agreement constitutes his valid and legally binding obligation, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited bylaws relating to the availability of specific performance, injunctive relief or other equitable remedies.

3. Except as set forth herein, the Notes are hereby ratified and reaffirmed and shall remain in full force and effect. Except as set forth herein, this Agreement is not a novation and the terms and conditions of this Agreement shall be in addition to and supplemental to all terms and conditions set forth in the Notes. In the event of any conflict or inconsistency between this Agreement and the terms of the Notes, the terms of this Agreement shall be controlling, but the Notes and the Transaction Documents shall not otherwise be affected or the rights therein impaired.

4. The Noteholder represents and warrants to the Company that the Noteholder is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended. The Company and the Noteholder agree that all certificates or book entry statements representing all Shares of the Company which at any time are subject to the provisions of this Agreement shall have endorsed upon them standard legends representing restrictions on transfer applicable under the Act.

5. This Agreement, the Note and the Transaction Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of Agreement, the Note and the Transaction Documents merge into this Agreement and the Notes.

6. This Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to its conflicts of laws rules or provisions.

7. The parties agree to take all such further action(s) as may reasonably be necessary to carry out the transactions contemplated hereunder as soon as practicable.

8. This Agreement shall inure to the benefit of and shall be binding on and shall be enforceable by the parties and their respective, successors and permitted assigns.

9. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

10. This Agreement may be executed in one or more counterparts and by the parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

[*Signature page follows*]

The parties agree for and on behalf of their respective party as of the first date written above.

COMPANY:

LiveXLive Media, Inc.

By: /s/ *Michael Quartieri*
Name: Michael Quartieri
Title: CFO

NOTEHOLDER:

Harvest Small Cap Partners Master, Ltd.

By: /s/ *Jeff Osher*
Name: Jeff Osher
Title: Managing Member

Exhibit 21.1

LIST OF SUBSIDIARIES OF THE REGISTRANT

LiveXLive Media, Inc.,
a Delaware corporation

Subsidiaries	Jurisdiction
LiveXLive, Corp.	Delaware
Slacker, Inc.	Delaware
LiveXLive PodcastOne, Inc.	Delaware
Courtside Group, Inc.	Delaware
LiveXLive Merchandising, Inc.	Delaware
Custom Personalization Solutions, Inc.	Delaware
LiveXLive Events, LLC	Delaware
React Presents, LLC	Delaware
LiveXLive Music, Inc.	Delaware
LiveXLive Music Publishing, Inc.	Delaware
Spring Awakening, LLC	Illinois
LXL Studios, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

LiveXLive Media, Inc.
Beverly Hills, CA

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-249481 and No. 333-228909) and Form S-8 (No. 333-234619) of LiveXLive Media, Inc. of our report dated July 14, 2021, relating to the consolidated financial statements which appears in this Form 10-K. Our report on the consolidated financial statements contains an explanatory paragraph regarding the Company's ability to continue as a going concern.

/s/ BDO USA, LLP
Los Angeles, California
July 14, 2021

Exhibit 31.1

**CERTIFICATION OF CEO PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert S. Ellin, certify that:

1. I have reviewed this Annual Report on Form 10-K of LiveXLive Media, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 14, 2021

/s/ Robert S. Ellin

Robert S. Ellin
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION OF CFO PURSUANT TO RULE 13a-14(a) OR 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Quartieri, certify that:

1. I have reviewed this Annual Report on Form 10-K of LiveXLive Media, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 14, 2021

/s/ Michael Quartieri

Michael Quartieri
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION OF CEO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of LiveXLive Media, Inc. (the "Company") on Form 10-K for the year ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert S. Ellin, as the Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert S. Ellin

Robert S. Ellin
Chief Executive Officer

July 14, 2021

This Certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

**CERTIFICATION OF CFO PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of LiveXLive Media, Inc. (the “Company”) on Form 10-K for the year ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Quartieri, as the Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael Quartieri

Michael Quartieri
Chief Financial Officer

July 14, 2021

This Certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.