



## **TIX CORPORATION**

State of Incorporation:  
Delaware

Company Address:  
12711 Ventura Blvd., Suite 340  
Studio City, CA 91604

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Telephone:  
(818) 761-1002

Corporate Website:  
[www.tixcorp.com](http://www.tixcorp.com)

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SIC Code:  
7999-73

## **Annual Report** **For the period ending December 31, 2019** **(the "Reporting Period")**

The number of shares outstanding of our Common Stock is 17,342,175 as of December 31, 2019.

The number of shares outstanding of our Common Stock was 17,342,175 as of December 31, 2018.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

Indicate by check mark whether a change in control of the company has occurred over this reporting period:

Yes:  No:

### ***Forward-Looking Statements***

Forward-looking statements include, but are not limited to, statements about our financial position, business strategy, competitive position, potential growth opportunities, potential operating performance improvements, and the effects of competition, the effects of future legislation or regulations and plans and objectives of our management for future operations. We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. Use of the words "may," "should," "continue," "plan," "potential," "anticipate," "believe," "estimate," "expect," "intend," "outlook," "could," "project," "seek," "predict" or variations of such words and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those set forth herein under Risk Factors, as well as other factors described herein or in our annual, quarterly and other reports we filed with the OTC Markets (collectively, "Cautionary Statements"). Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable Cautionary Statements. We do not intend to update these forward-looking statements, except as required by applicable law.

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## PART A – GENERAL CORPORATE INFORMATION

### Item 1. The Exact Name of the Issuer and its Predecessor (if any)

Exact name of the issuer: Tix Corporation  
Exact names of predecessor entities in the past five years and dates of name changes: N/A

### Item 2. The Address of the Issuer’s Principal Executive Offices

Principal Executive Offices: 12711 Ventura Blvd., Suite 340  
Studio City, CA 91604  
Telephone: (818) 761-1002  
Facsimile: (818) 761-1072  
Website: www.tixcorp.com

Investor Relations: Steve Handy, CFO  
Tix Corporation  
12711 Ventura Blvd., Suite 340  
Studio City, CA 91604  
Telephone: (818) 761-1002  
Email: steveh@tixcorp.com

### Item 3. The Jurisdiction and Date of the Issuer’s Incorporation or Organization

We were incorporated in the State of Delaware on April 6, 1993. We are active and in good standing in the State of Delaware.

## PART B – SHARE STRUCTURE

### Item 4. The Exact Title and Class of Securities Outstanding

We have only one class of securities currently outstanding.

Title: Tix Corporation  
Class: Common stock, par value \$0.08 per share (“Common Stock”)  
CUSIP: 888733102  
Trading Symbol: TIXC

### Item 5. Par or Stated Value and Description of the Security

Our outstanding securities consist solely of shares of Common Stock, par value \$0.08 per share. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of the stockholders. Holders of Common Stock do not have cumulative voting rights. Holders of Common Stock may elect our board of directors (the “Board of Directors” or the “Board”) at our annual meeting by a plurality vote. On October 4, 2019, we entered into a settlement agreement (the “Settlement Agreement”) with HSB Capital Partners, L.P. and Haren Bhakta (the “HSB Group”), to settle the proxy contest pertaining to the election of directors at our 2019 annual meeting. Pursuant to the Settlement Agreement, four incumbent directors, Andrew Pells, Steven Zelinger, Aaron Bregman and Mesfin Eyob, resigned and were replaced by three HSB Group designees, namely, Haren Bhakta, Michael Fisk and Jeremy Weiner. Also, pursuant to the terms of the Settlement Agreement, (i) Norman Feirstein was appointed as the Chairman of the Board, (ii) Haren Bhakta was appointed as a member of the Compensation Committee, the Audit Committee and the Nomination and Governance Committee, (iii) we agreed to include Haren Bhakta, Michael Fisk and Jeremy Weiner as nominees for election to the Board on the slate of nominees in our proxy statement and proxy card relating to our 2020 annual meeting, and (iv) the HSB Group is subject to certain standstill restrictions until the day that is thirty (30) calendar days prior to the first day of the notice period specified in the advance notice provision for director nominations set forth in our bylaws, applicable to our 2021 annual meeting (the “Standstill Period”), and during the Standstill Period, the HSB Group must vote or consent in favor of each of the directors nominated by the Board and recommended by the Board in the election of directors and against any stockholder proposal to remove any such members of the Board.

Furthermore, in connection with the Settlement Agreement, the Board approved an amendment to our bylaws to: (i) provide as a qualification for service as a director on our Board, a natural person shall, subject to certain exceptions, purchase, of record or beneficially, at least 25,000 shares of our Common Stock, either at the time such person is first elected or appointed to the Board, or within one year of such election or appointment, and for each subsequent year each non-management director is re-elected to the Board, such director must acquire, within twelve months thereof, an additional 25,000 shares of Common

Stock, until such director acquires 100,000 shares of our common stock; (ii) fix the number of directors which shall constitute the whole Board at seven (7); (iii) provide that any director may call a meeting of the Board and propose agenda items therefor; (iv) provide that the Chairman of the Board must be a non-management director elected by a majority of the whole Board; and (v) provide that until the conclusion of the Standstill Period, our bylaws and the resolutions adopted by the Board on October 4, 2019 may not be amended by the Board without the affirmative vote of at least 66% of the whole Board. The foregoing description of the amendments to our bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of our bylaws, a copy of which is available at [www.tixcorp.com](http://www.tixcorp.com).

Generally, a vote by the holders of a majority of our outstanding shares of Common Stock is required to effectuate certain fundamental corporate changes such as dissolution, merger or an amendment to our certificate of incorporation. The holders of Common Stock are entitled to dividends if declared by our Board. There are no redemption or sinking fund provisions applicable to the Common Stock, and holders of Common Stock are not entitled to any preemptive rights with respect to additional issuances of Common Stock by us.

We are authorized to issue up to 500,000 shares of preferred stock, par value \$0.01 per share, none of which are currently outstanding. The shares of preferred stock may be issued in series, and each such series shall have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the certificate of designation relating to such series, as approved by the Board and filed with the Delaware Secretary of State. Pursuant to our certificate of incorporation, the Board is expressly vested with the authority, without further action by the stockholders, to determine and fix in the resolution or resolutions providing for the issuances of preferred stock the voting powers, designations, preferences and rights, and the qualifications, limitations or restrictions thereof, of each such series to the full extent now or hereafter permitted by the laws of the State of Delaware.

Prior to the issuance of any series of preferred stock, we will further amend our certificate of incorporation, as amended, by way of a certificate of designation designating such series and its terms. We will file a copy of the certificate of designation that contains the terms of each such series of preferred stock with the Delaware Secretary of State each time we issue a new series of preferred stock. Each certificate of designation will establish the number of shares included in a designated series and fix the designation, powers, privileges, preferences and rights of the shares of each series as well as any applicable qualifications, limitations or restrictions, including, as applicable:

- the designation, stated value and liquidation preference of the series;
- the number of shares within the series;
- the offering price;
- the dividend rate or rates (or method of calculation), the date or dates from which dividends shall accrue, and whether such dividends shall be cumulative or noncumulative and, if cumulative, the dates from which dividends shall commence to cumulate;
- any redemption or sinking fund provisions;
- the amount that shares of the series shall be entitled to receive in the event of our liquidation, dissolution or winding-up;
- the terms and conditions, if any, on which shares of the series shall be convertible or exchangeable for shares of our stock of any other class or classes, or other series of the same class;
- the voting rights, if any, of shares of the series; the status as to reissuance or sale of shares of the series redeemed, purchased or otherwise reacquired, or surrendered to us on conversion or exchange;
- the conditions and restrictions, if any, on the payment of dividends or on the making of other distributions on, or the purchase, redemption or other acquisition by us or any subsidiary, of the Common Stock or of any other class of our shares ranking junior to the shares of the series as to dividends or upon liquidation;
- the conditions and restrictions, if any, on the creation of indebtedness by us or by any subsidiary, or on the issuance of any additional stock ranking on a parity with or prior to the shares of the series as to dividends or upon liquidation; and
- any additional dividend, liquidation, redemption, sinking or retirement fund and other rights, preferences, privileges, limitations and restrictions of the series.

The issuance of any preferred stock could adversely affect the rights of the holders of Common Stock and, therefore, reduce the value of the Common Stock. The ability of our board of directors to issue preferred stock could discourage, delay or prevent a takeover or other corporate action.

Our by-laws require advance notice relating to certain stockholder business and Board of Directors nominees to be considered at stockholder meetings. Under our by-laws, stockholders are not permitted to call special meetings of stockholders. In addition, the Board of Directors has adopted a Rights Agreement dated April 1, 2011, as amended and restated on January 2, 2014 and further amended on August 28, 2017 (the "Rights Agreement"), which may delay or prevent a change of control and may also discourage or make difficult a merger or acquisition of our company. The Rights Agreement is generally

triggered when an “Acquiring Person” (as defined by the Rights Agreement) acquires beneficial ownership of 4.95% or more of the Common Stock, with certain limited exceptions. Persons or groups who held 4.95% or more of the Common Stock as of January 2, 2014 are grandfathered under the Rights Agreement, meaning that they are not deemed to be Acquiring Persons unless and until they become the beneficial owner of any additional shares of Common Stock or they are grouped together with other stockholders for purposes of triggering the rights. Pursuant to the Settlement Agreement, the HSB Group was granted an exemption under the Rights Agreement to acquire beneficial ownership of up to 6.9% of our then-outstanding Common Stock, such that the HSB Group is not deemed to be an Acquiring Person unless and until they become the beneficial owners of shares of Common Stock in excess of 6.9% of our then-outstanding Common Stock. The preceding description of the Rights Agreement is qualified in its entirety by reference to the terms of the Amended and Restated Rights Agreement, as amended, a copy of which is available at: [www.tixcorp.com](http://www.tixcorp.com).

**Item 6. The Number of Shares or Total Amount of Securities Outstanding for Each Class of Securities Authorized**

Class	As of	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares or Public Float (1)	Total Number of Beneficial Stockholders (2)	Total Number of Stockholders of Record
Common Stock	December 31, 2019	100,000,000	17,342,175	6,100,000	680	130
	December 31, 2018	100,000,000	17,342,175	7,800,000	814	135
Preferred Stock	December 31, 2019	500,000	-	-	-	-
	December 31, 2018	500,000	-	-	-	-

- (1) Defined as shares not held directly or indirectly by an officer, director, group, or any person who is the beneficial owner of more than 10 percent of the total shares outstanding. For shares owned by directors and executive officers, see also the section entitled “Equity Ownership of Directors and Executive Officers” under Item 11 below.
- (2) Estimate of individual participants represented by security position listings. Based on such security position listings, at least 100 beneficial shareholders each owns at least 100 shares of our Common Stock.

**Item 7. The Name and Address of the Transfer Agent**

Computershare  
250 Royall Street  
Canton, MA 02021  
(800) 736-3001

Computershare is currently registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is an authorized transfer agent subject to regulation by the U.S. Securities and Exchange Commission (“SEC”).

**PART C – BUSINESS INFORMATION**

**Item 8. The Nature of the Issuer’s Business**

We are an entertainment company providing discount ticketing and discount dining and shopping products. In June 2019, we made a minority investment in TixRez LLC, a company to provide online booking of activities, including shows, concerts, tours, attractions, and other entertainment and leisure opportunities throughout the world. We anticipate TixRez will launch its new service during the first calendar quarter of 2020.

Our Tix4Tonight business is located in Las Vegas where we sell shows, attractions, tours and dining from our nine ticket booths that are strategically located on the Strip. Due to efforts to mitigate the impact of COVID-19, virtually all Las Vegas entertainment, restaurants, bars, and major hotel properties such as Wynn Resorts and MGM Resorts International have closed. With the closure of entertainment on the Las Vegas Strip, and therefore the cessation of revenue for our business, starting March 16, 2020, we effected a layoff of the majority of our employees, closed our ticket booths, and continue to significantly reduce our operating costs. We will continually monitor the Las Vegas marketplace to determine when and if we will be able to commence operations again. We intend to seek available disaster assistance, as well as forms of financing to help with liquidity during this disruption to our business.

We are a corporation incorporated in the State of Delaware on April 6, 1993 and changed our name to Tix Corporation effective March, 3, 2005. Our principal executive office is located at 12711 Ventura Blvd., Suite 340, Studio City, California 91604. Our principal website is [www.tixcorp.com](http://www.tixcorp.com). Our Common Stock is listed on the OTCQX, trading under the symbol “TIXC.” Our fiscal year end is December 31. We have not been in bankruptcy, receivership or any similar proceeding, and are not and at no time have been, a “shell company” as defined in Rule 405 of the Securities Act of 1933, as amended and Rule 12b-2 of the Exchange Act.

## **Our Business Strategy**

We provide discount ticketing services through our wholly owned subsidiary Tix4Tonight, LLC (“Tix4Tonight”). Our broad strategic goal is to be the leading discount ticket seller in the United States. We are pursuing this strategic goal through both internal and external means. Internally, we are looking at opportunities to enhance both revenue and operating income by increasing market share, focusing on internal cost controls and streamlining our operating procedures. Externally, we are looking for growth opportunities through the acquisition of complementary businesses and exploitation of new and existing market opportunities. In order to achieve our objectives and successfully implement our strategies, we have made and expect to continue to pursue investments and acquisitions that contribute to the above goal where the valuations, returns, and growth potential are consistent with our long-term goal of increasing shareholder value.

## **Our History**

Since November 2002, our principal business activity has been the sale of tickets for Las Vegas shows at a discount from the original box office price primarily on the day of the performance, through our wholly-owned subsidiary, Tix4Tonight. The consolidated financial statements include the accounts of our company and our wholly-owned subsidiary, Tix4Tonight. Intercompany transactions and balances are eliminated in consolidation.

In 2010, we deregistered our shares of Common Stock with the SEC, delisted from the NASDAQ Capital Market and listed on the OTCQX marketplace. By deregistering our Common Stock with the SEC, we are no longer required to file annual, quarterly and current reports with the SEC. As part of the OTCQX listing requirements, we are required to prepare and post material news, quarterly financial reports and annual audited financial reports on the OTCQX’s website.

## **Employees**

As of December 31, 2019, we had 98 employees, of which 61 are full-time employees. At our corporate office, we had four full-time employees. Our employees are not represented by any unions and we believe that our relations with our employees are satisfactory.

## **Item 9. The Nature of Products or Services Offered**

Our wholly-owned subsidiary, Tix4Tonight, offers for sale discount shows, attractions, tours, dining and shopping options. Our customers can purchase our offerings either online or at our multiple retail locations while in Las Vegas. When selling discounted tickets, Tix4Tonight sells them under short-term, exclusive and nonexclusive agreements with most Las Vegas shows and numerous attractions and tours running at any one time. There are usually many more tickets available each day than are sold, although it is not uncommon for Tix4Tonight to sell out its supply of tickets for individual shows. The shows are paid on a weekly basis only for the tickets that Tix4Tonight actually sells to customers. Revenues are recorded at net of cost, that is, we record only the commissions and service fees as revenues.

In June 2019, we made a minority investment in TixRez LLC, a company to provide online booking of activities, including shows, concerts, tours, attractions, and other entertainment and leisure opportunities throughout the world. We anticipate TixRez will launch its new service during the first calendar quarter of 2020.

## **Intellectual Property**

We create and own intellectual property. It is our practice to protect our trademarks, brands, copyrights, patents and other original and acquired works, ancillary goods and services. Our trademarks include, among others, “Tix4”, “Tix4Tonight”, and “Tix4Dinners”. Additionally, the United States Patent and Trademark Office has issued two United States patents on a “Ticket Distribution System” that covers a number of the key aspects of premium and discount ticket brokerage operations and technological systems related to the sale and distribution of unused tickets. We believe the patent on the “Ticket Distribution System” for discount ticket brokerage broadly covers the way our Tix4Tonight subsidiary distributes discount tickets and encompasses our distribution methods. We granted a non-exclusive license to use the “Ticket Distribution System” patent when our subsidiary Tix4Tonight acquired certain assets and assumed certain leases of VegasTix4Less, an affiliate of Vegas.com. We believe that our patents, trademarks and other proprietary rights have significant value and are important to our brand-building efforts and the marketing of our services.

## **Insurance**

We maintain insurance coverage that we believe provides adequate coverage for all of our current operations. We maintain \$1.0 million of “key-man” life insurance on the life of Mitch Francis, our President and Chief Executive Officer, as to which we are the sole beneficiary.

## Revenue Concentrations

During the years ended December 31, 2019 and 2018, Cirque du Soleil (“Cirque”) and MGM Resorts International (“MGM Resorts”) were partners on six shows, which together represented approximately 14% and 2% of our revenues, respectively. No single show, venue or theatre accounted for more than 10% of revenues.

In October 2017, MGM Resorts opened their own discount ticket booths on their hotel properties in Las Vegas and restricted our ability to sale certain Cirque shows at our Tix4Tonight booths. All shows located within the MGM Resorts Las Vegas hotel properties, including the four Cirque shows withdrawn from our Tix4Tonight booths, remained available for purchase on our website Tix4tonight.com.

In December 2018, the Company’s Tix4Tonight booths resumed selling MGM Resorts resident Cirque du Soleil shows, which for a period, as discussed above, had only been offered on the Company’s website. In March 2019, the Company entered into a Letter Agreement with MGM Resorts and Cirque which sets forth terms and conditions for the Company to sell Cirque, Blue Man Group and MGM Resorts Headliner tickets at its booths in Las Vegas and online. Although the Agreement term is for five years, it contemplates a subsequent agreement that may further alter and define the relationship between the Parties. The Letter Agreement also contains various termination rights for MGM Resorts and Cirque including due to certain events of default or change of control of the Company.

Competition from MGM Resorts’ discount ticket booths may materially negatively impact our future performance. If our existing relationships with MGM Resorts or Cirque deteriorate or are terminated and we are not successful in replacing lost business, our financial position, results of operations and cash flows could be materially and adversely affected.

## Competition

Tix4Tonight sells show, attraction and event tickets in Las Vegas, Nevada, generally at 25% to 50% off the box office price. Producers provide such tickets to us both on an exclusive and non-exclusive basis. Therefore, new ticket brokers can enter into competition with us to offer the same or similar ticketing services to non-exclusive shows and customers. Tix4Tonight faces competition from venues and producers selling discount tickets direct to customers, from online discount ticket sellers and the possibility exists for other competitors to compete both in Las Vegas and in other markets we may target. Other competitors may possess longer operating histories, larger customer bases, longer relationships with producers, and significantly greater financial, technical, marketing, and public relations resources than us. Accordingly, we may not be able to compete successfully and competitive pressures may adversely affect our business, results of operations and financial condition.

## Item 10. The Nature and Extent of the Issuer’s Facilities

### *Corporate Offices:*

We lease office space at 12711 Ventura Blvd., Suite 340, Studio City, California 91604 as our corporate headquarters. The term of the lease is five years. In addition to the base annual rent, we are responsible for payment of certain operating expenses, including utilities and real estate taxes. It is expected that we will be able to renew this lease or to lease comparable facilities on terms commercially acceptable to us.

### *Tix4Tonight:*

We conduct the operations of Tix4Tonight at various leased locations, including an administrative office in Las Vegas, Nevada. The leases have various terms, primarily ranging from month-to-month to five years, with options to extend. Tix4Tonight may be able to renew each of its leases or to lease comparable facilities on terms commercially acceptable to us.

## PART D – MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

## Item 11. The Name of the Chief Executive Officer, Members of the Board of Directors, as well as Control Persons

### A. Directors and Executive Officers

#### 1. Directors

Our directors as of the date of this Annual Report, as well as certain information about them, are as follows:

<b>Name</b>	<b>Position with Company</b>	<b>Director Since</b>
Mitch Francis	Chief Executive Officer and Director	1993
Norman Feirstein	Chairman and Director	1995
Haren Bhakta	Director	2019
Barry Fieldman	Director	2019
Michael Fisk	Director	2019
Jordan Fiksenbaum	Director	2019
Jeremy Weiner	Director	2019

All correspondence to our directors may be mailed to our corporate headquarters at 12711 Ventura Blvd., Suite 340, Studio City, CA 91604.

*Mitch Francis* founded our company in 1993 and has been a Director and the Chief Executive Officer since inception. Mr. Francis is an innovative leader whose inventions have yielded four United States patents. All of these inventions have contributed to our unique businesses and success. Mr. Francis was one of the first real estate majors in the United States at the University of Colorado and developed numerous shopping centers, office buildings and condominium projects prior to founding our company. We believe that Mr. Francis' qualifications to serve on the Board include his long tenure as our Chief Executive Officer and Chairman, during which time he gained a unique and extensive understanding of our business and long-term strategy. Additionally, his real estate expertise has been a valuable asset to us in identifying and negotiating our retail facilities, which have been a significant component of our success.

*Norman Feirstein* has been practicing law as a sole practitioner from 1978 to the present. Mr. Feirstein currently practices law at The Feirstein Law Firm. Prior to practicing law, Mr. Feirstein supervised or assisted in numerous financial statement audits with a mid-sized CPA firm. Mr. Feirstein also previously served as a member of the Board of Directors for several privately owned companies. We believe that Mr. Feirstein's qualifications to serve on the Board include his extensive experience as a lawyer and in the field of public company oversight.

*Haren Bhakta* has served as the Managing Partner and Chief Investment Officer of HSB Capital Partners, LP, a hedge fund, since September. Prior to that, Mr. Bhakta was a Financial Advisor at Morgan Stanley, an investment bank and financial services company, from April 2012 to September 2017. Previously, Mr. Bhakta worked as a Financial Advisor managing client portfolios at Merrill Lynch, an investment and wealth management branch of Bank of America, from August 2010 to April 2012. From November 2008 to August 2010, Mr. Bhakta worked as a Financial Advisor at Prudential Financial, Inc., a financial services and investment management company. Mr. Bhakta is a CFA charter holder.

*Barry Fieldman* is a Las Vegas real estate developer and entrepreneur, has 38 years of experience in the real estate industry as well as 15 years of experience as an owner and entrepreneur in the tourism and hospitality industries. Mr. Fieldman serves as the President of Bekam Development, LLC, the master developer and owner for a 29-acre commercial subdivision in Las Vegas, and previously served as the President of Makena Development Corp., which owned and managed the Showcase Mall on Las Vegas Blvd, from 1990 to 2015. Mr. Fieldman is also the Managing Member of Smart Bar USA, LLC, the manufacturer and distributor of a patented fully automated cocktail dispensing system and BRZ, LLC and the owner and operator of a full-service liquor store on Las Vegas Blvd South. Mr. Fieldman is an expert in the real estate, tourism and hospitality industries.

*Michael Fisk* is a senior marketing executive in the Entertainment industry having spearheaded over 400 marketing campaigns across 70 countries for studios like Sony Pictures, Lionsgate, NBC Universal and Warner Bros. He is currently EVP of Film Marketing for MGM Studios overseeing their Theatrical and Home Entertainment releases. Formerly, he ran InterMark, the international consulting practice focusing on helping filmmakers (producers, directors and distributors) with long-term marketing and strategy. Clients outside the entertainment industry included tech companies, fashion designers, government agencies, and non-profits which raise money for international causes. Before founding InterMark, he was Executive Vice President of International Marketing for Lionsgate Studio's motion picture business where he was responsible for creating strategy, positioning and marketing plans for award-winning films like La La Land, and A Monster Calls. He also led strategy around the sale of films at markets like AFM and Cannes. Additionally, he worked with Distributors within each country to launch global campaigns, including local Chinese partners. Prior to joining Lionsgate, Fisk was a 12-year veteran of Sony Pictures, overseeing international marketing campaigns for diverse properties like James Bond films "Spectre," "Skyfall" and "Casino Royale," along with "Insidious," the "Resident Evil" franchise, "Hotel Transylvania" and "The Smurfs." In his spare time, he guest lectures on Marketing at USC, UCLA, Notre Dame, and Cal State Univ. He also puts together a series of panels titled "The Business of Creating" helping the next generation of aspiring content creators (Film/TV/Digital) across diverse topics like Trailers, PR, Digital, Literary Agents, Unit Photography and more. He has also been a judge for the Women

In Film Mini-Upfronts raising awareness for film, TV and digital projects. He received his B.S. from the University of Notre Dame, and an MBA in Marketing from USC.

*Mr. Fiksenbaum* has been working in the live entertainment industry for more than 25 years, participating in over \$5 Billion of ticket revenue throughout his career, while serving in numerous senior management roles specializing in Sales and Marketing, Business and Strategic Planning, General Management, Event Programming and Operations. Previously, Mr. Fiksenbaum served as the Vice President of Marketing & Public Relations for the North American Resident Shows Division of Cirque du Soleil, overseeing the day-to-day Marketing, Sales and PR activities for nine resident shows. Mr. Fiksenbaum was responsible for the marketing programs for the sale of over 35 million tickets for approximately \$3.8 billion in revenue.

*Mr. Weiner*, is a serial entrepreneur who has created and sold several profitable companies. Currently, Mr. Weiner is CEO of Zim Cares, a youth marketing company for leading Fortune 500 companies such as Unilever, Nike, and Microsoft who are seeking brand recognition in this hard-to-reach demographic market. Previously, Mr. Weiner founded Media X (a business intelligence SaaS platform for companies like Macy's and Target) which he sold to News Corp in 2014. He successfully created an advisory council of school superintendents for in-school marketing serving Fortune 500 brands, including Apple, Kellogg's, McDonalds, General Mills and Universal. In 1999, Mr. Weiner engineered a successful sale of his first in-school marketing company, Cover-It, to Primedia. Subsequent to this sale, Mr. Weiner created the first national platform for major brands to advertise across campuses nationally through college newspapers. Mr. Weiner serves as a consultant to several large branded companies and venture firms and has secured funding for start-ups.

## 2. Executive Officers

Our executive officers and significant employees, as well as certain biographical information about them, are as follows:

Name	Position with Company	Officer Since
Mitch Francis	Chief Executive Officer	1993
Steve Handy	Chief Financial Officer	2010
Kimberly Simon	Chief Operating Officer	2007

All correspondence to our executive officers may be mailed to our corporate headquarters at 12711 Ventura Blvd., Suite 340, Studio City, CA 91604.

Biographical information concerning Mitch Francis is set forth above under the caption "Directors."

*Steve Handy* was formerly employed by us as Chief Financial Officer from March 2010 to October 2017, and is currently holding the same position and providing comparable services to us under a consulting agreement. Mr. Handy currently provides senior financial and executive advisory services to both private and publicly traded companies. Since October 2018, Mr. Handy has been a director of Veritec Inc., a publicly traded company involved in mobile banking prepaid debit card solutions. From 2002 to 2007, Mr. Handy held positions of increasing responsibility, including Senior Vice President, Chief Financial Officer and Corporate Secretary of SM&A, a former publicly traded professional services firm. Previous to his employment with SM&A, Mr. Handy held various management roles in high technology manufacturing and service companies, including working abroad for a U.S. high technology manufacturer. Mr. Handy also served as Senior Auditor, Business Advisory and Audit Services, for Deloitte & Touche LLP. Mr. Handy holds the designations of Certified Public Accountant (CPA) and Chartered Global Management Accountant (CGMA).

*Kimberly Simon* has been employed by us since September 1997. Effective March 1, 2007, Ms. Simon was promoted to Chief Operating Officer and is responsible for all day-to-day operations. Prior to joining us, Ms. Simon gained managerial experience with several national companies.

### Equity Ownership of Directors and Executive Officers

Please see Part D, Item 14, below.

On September 26, 2019, Mitch Francis, Chief Executive Officer of Tix Corporation ("Tix"), purchased 854,536 shares of common stock of Tix in a privately negotiated transaction. The purchased shares represented approximately 4.93% of the outstanding shares of Tix common stock, which increased Mr. Francis total ownership of the outstanding shares of Tix common stock to approximately 23.0%.

### 3. Compensation of Directors and Executive Officers

The following table sets forth information concerning the compensation paid during the last fiscal year to directors and executive officers as a group serving at December 31, 2019:

Name	Year	Fees Earned or Paid in Cash (\$)	Salaries (\$)	Bonus (\$)	Option Awards (\$)	All Other Compensation (2) (\$)	Total (\$)
<b>Non-Employee Directors (6 in Total)</b> (1)	2019	\$137,000	-	-	-	-	\$137,000
<b>Executive Officers (3 in Total)</b> (3)	2019	-	\$914,000	-	-	\$82,000	\$996,000

- (1) Directors who are employed by us do not receive separate compensation for services on the Board of Directors. Members of the Board of Directors who are not our employees receive \$25,000 annually which is paid ratably over four calendar quarters. In addition, members of the Board of Directors are reimbursed for any expenses incurred in attending the meetings. In 2019, the Chairman of the Audit Committee received an additional \$6,000 annually and the Corporate Secretary receives an additional \$6,000 annually.
- (2) The amounts listed under the column entitled "All Other Compensation" in the Summary Compensation Table above include matching contributions to our 401(k) Plan, life insurance benefits, tax return preparation, short-term and long term disability insurance, health insurance and automobile allowances.
- (3) We have determined that compensation information regarding the executive officers as a group, given the modest aggregate amounts in every category, is sufficient to an understanding of our company and that providing confidential information as to each individual executive officer would not contribute materially to an understanding of our company. Our Chief Executive Officer and Chief Operating Officer have employment agreements with us. The general terms of the employment agreements can be found in Note 6 of the accompanying consolidated financial statements.

### B. Legal/Disciplinary History

None of the executive officers and directors have, in the last five years, been the subject of (1) a conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses), (2) the entry of an order, judgment or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities and banking activities, (3) a finding or judgment by a court of competent jurisdiction (in a civil action), the SEC, the Commodity Futures Trading Commission or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended or vacated, or (4) the entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or otherwise limited such person's involvement in any type of business or securities activities.

### C. Disclosure of Family Relationships

Steven L. Zelinger, a former director who resigned on October 4, 2019, is a first cousin to Mr. Francis, our Chief Executive Officer.

### D. Disclosure of Related Party Transactions

In January 2011, the Company acquired Tix4Less, a subsidiary of Vegas.com. The Company assumed the Showcase Mall booth lease, including the monthly payment to Bekam Development LLC. Barry Fieldman, our director effective December 16, 2019, serves as the President of Bekam Development, LLC, the master developer and owner for a 29-

acre commercial subdivision in Las Vegas. The Company paid Bekam Development \$144,000 for both years ended December 31, 2019 and 2018, as required under the assumed lease agreement.

**E. Disclosure of Conflicts of Interests**

None.

**Item 12. Financial Information for the Issuer’s Most Recent Fiscal Period**

Our audited consolidated financial statements for the year ended December 31, 2019, are attached at the end of this Annual Report, beginning on page F-1, and incorporated herein by reference. The audited consolidated financial statements include the following reports:

1. Consolidated Balance Sheets;
2. Consolidated Statements of Operations;
3. Consolidated Statement of Changes in Stockholders’ Equity;
4. Consolidated Statements of Cash Flows;
5. Notes to Consolidated Financial Statements; and
6. Independent Auditors’ Report.

**Item 13. Similar Financial Information for Such Part of the Two Preceding Fiscal Years as the Issuer or its Predecessor Has Been in Existence**

Our audited consolidated financial statements for the years ended December 31, 2018 and 2017, are incorporated herein by reference from our 2018 Annual Report and 2017 Annual Report filed separately through the OTC Disclosure and News Service, available at www.otcmarkets.com. The audited financial statements include the following reports:

1. Consolidated Balance Sheets;
2. Consolidated Statements of Operations;
3. Consolidated Statement of Changes in Stockholders’ Equity;
4. Consolidated Statements of Cash Flows;
5. Notes to Consolidated Financial Statements; and
6. Independent Auditors’ Report.

**Item 14. Beneficial Owners**

The following table sets forth, as of December 31, 2019, the equity ownership of (a) all persons or groups known by us to be the beneficial owners of 5% or more of our outstanding Common Stock and (b) all of our directors and executive officers as a group. Because beneficial owners are not required to disclose their ownership interests publicly or to us, we may only rely on public sources and reports made directly to us when determining beneficial ownership, and, as a result, there may be other beneficial owner(s) of more than 5% of our Common Stock that are not included in the following table.

<b>PRINCIPAL BENEFICIAL OWNERS OF SHARES</b>			
<b>Name of Beneficial Owner</b>	<b>Relationship to Issuer</b>	<b>Amount and Nature of Beneficial Ownership (1)</b>	<b>Percent of Class (1)</b>
All Directors & Executive Officers as a Group (7 in Total)	Directors and Executive Officers	7,224,137	35.9%
Bandera Master Fund LP (2)	Shareholder	2,617,242	15.1%
Boston Avenue Capital LLC (2)	Shareholder	2,467,585	14.2%

(1) We have determined that beneficial ownership information regarding “All Directors & Executive Officers as a Group” is sufficient to an understanding of our company and the degree to which management has a stake as shareholders of our company. We deem shares subject to stock options and warrants that are exercisable as of or within 60 days after March 1, 2020 as outstanding for purposes of computing the share amount and the percentage ownership of All Directors and Executive Officers as a Group, but we do not deem them outstanding for purposes of computing the percentage ownership of any other person.

- (2) Both Objecting Beneficial Owner (OBO) and Non-Objecting Beneficial Owner (NOBO) ownership information was obtained from Broadridge Financial Solutions, Inc. as of February 19, 2020.

**Item 15. The Name, Address, Telephone Number, and Email Address of Each of the Following Outside Providers that Advise the Issuer on Matters Relating to Operations, Business Development and Disclosure**

Counsel: Greenberg Traurig, LLP  
c/o Doron Lipshitz, Esq.  
MetLife Building  
200 Park Avenue  
New York, NY 10166  
(212) 801-3100  
lipshitzd@gtlaw.com

Tax Accountant: Weinberg & Co., PA  
c/o Jeffrey Engler, Director of Tax  
1925 Century Park East  
Suite 1120  
Los Angeles, CA 90067  
(310) 601-2200  
jeffrey@weinbergl.com  
www.weinbergl.com

Auditor: Weinberg & Co., PA  
c/o Corey Fischer, Managing Director  
License #: CA 1118 (State of California)  
1925 Century Park East  
Suite 1120  
Los Angeles, CA 90067  
(310) 601-2200  
coreyf@weinbergl.com  
www.weinbergl.com

Weinberg & Co., PA conducted an audit of our consolidated financial statements in accordance with generally accepted auditing standards in the United States of America.

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Accordingly, the fairness of representations made throughout the financial statements is an implicit and integral part of management's responsibility.

**Item 16. Management's Discussion and Analysis or Plan of Operation**

*The following discussion should be read in conjunction with the information contained in our consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management's plans and objectives, and any statements concerning assumptions related to the foregoing contained in Management's Discussion and Analysis or Plan of Operation constitute forward-looking statements. Certain factors which may cause actual results to vary materially from these forward-looking statements accompany such statements or appears elsewhere in this Annual Report. Any references to "Tix" (which may be referred to as the "Company", "we", "us" or "our") means Tix Corporation and its subsidiary, as the context requires. You should read the following discussion of our financial condition and results of operations together with the consolidated financial statements and notes to the consolidated financial statements included elsewhere in this annual report.*

## **Critical Accounting Policies and Estimates**

The preparation of our consolidated financial statements is in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The following narrative describes the critical accounting policies that affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

### **Revenue Recognition and Presentation**

We have several streams of revenue, each of which is required under Generally Accepted Accounting Principles (“GAAP”) to be recognized in varying ways. The following is a summary of our revenue recognition policies:

Our Las Vegas discount ticketing business recognizes as revenue the commissions and related transaction fees earned from the sale of Las Vegas shows, events and attractions (“event”) on the date the event is held. Our transaction fees are charged on a per-ticket basis and payment is collected at the time of sale. When customers pay us prior to the date of the purchased event, we record the amount as deferred revenue until such date of the event. Claims for refunds are recorded as a reduction to our commissions and fees at the time that such refunds are processed.

Our Vegas Dining Card provides our customers access to multiple participating discounted restaurant offers available for up to seven (7) days from date of purchase. For the Vegas Dining Card, we recognize as revenue solely the transaction fees earned at the time of sale.

### **Stock-Based Compensation**

Our stock-based employee compensation plans are described in Note 7 of the notes to our consolidated financial statements. We periodically issue stock options and warrants to employees. We account for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by Accounting Standards Codification (“ASC”) Topic 718 – *Stock Compensation*, whereas the value of the award is measured on the date of grant and recognized over the vesting period.

The fair value of our Common Stock option grant is estimated using the Black-Scholes option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the Common Stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model, and based on actual experience. The assumptions used in the Black-Scholes option pricing model could materially affect compensation expense recorded in future periods.

### **Leases**

Prior to January 1, 2019, the Company accounted for leases under ASC 840, Accounting for Leases. Effective January 1, 2019, the Company adopted the guidance of ASC 842, Leases (“ASC 842”), which requires an entity to recognize a right-of-use asset and a lease liability for certain leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company adopted ASC 842 using a modified retrospective approach. As a result, the comparative financial information has not been updated and the required disclosures prior to the date of adoption have not been updated and continue to be reported under the accounting standards in effect for those periods. The adoption of ASC 842 on January 1, 2019, resulted in the recognition of operating lease right-of-use assets of \$1.9 million and corresponding lease liabilities of approximately the same amount. There was no cumulative-effect adjustment to accumulated deficit.

### **Impairment of Long-Lived Assets, Goodwill and Intangible Assets**

We review long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable in accordance with the authoritative guidance provided by ASC Topic 350 – *Goodwill and Other*. Our long-lived assets, such as property and equipment, are reviewed for impairment when events and circumstances indicate that depreciable or amortizable long lived assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. When specific assets are determined to be unrecoverable, the cost basis of the asset is reduced to reflect the current value.

We use various assumptions in determining the current fair value of these assets, including future expected cash flows and discount rates, as well as other fair value measurements. Our impairment loss calculations require us to apply judgment in estimating future cash flows, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.

If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to future impairment losses that could be material to our results.

## **Income Taxes**

We account for income taxes using the asset and liability method, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized before we are able to realize their benefits, or that future deductibility is uncertain. We consider future taxable income and ongoing, prudent and feasible tax planning strategies, in assessing the value of our deferred tax assets. During the year ended December 31, 2015, we recorded a deferred tax asset of \$11.5 million as we determined it was more likely than not that we would recover this asset against future earnings.

On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJ Act”) was enacted into law. The TCJ Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended (the “Code”), that impact corporate taxation requirements, such as the reduction of the federal tax rate for corporations from 35% to 21% and changes limitations to certain tax deductions. Included in the TCJ Act was the repeal of the Alternative Minimum Tax (AMT) effective for tax years beginning after 2017. Along with the repeal of the AMT, the TCJ Act allows for refunds of outstanding AMT credit carryforwards that existed as of December 31, 2017. AMT credits remaining after utilization against current year tax liability are refundable at a 50 percent rate in taxable years 2018 to 2020 with any remaining unused credits being fully refundable in 2021. The Company will receive its remaining refund of \$75,000 in 2021.

During the year ended December 31, 2019, the Company evaluated its federal net operating loss carry forwards (“NOLs”) and determined that it is more likely than not that a portion of the net deferred tax assets will not be realized. As such, we recorded a reduction in the value of these assets of approximately \$1.7 million, which primarily relate to our net deferred tax assets, and increased the provision for income taxes in our Consolidated Statements of Income for the year ended December 31, 2019. If we subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, the value of the deferred tax assets would be increased, thereby increasing net income in the period when that determination was made.

We prescribe a recognition threshold and a measurement attributable for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized.

We identified and reviewed potential tax uncertainties and determined that the exposure to those uncertainties did not have a material impact on our results of operations or financial condition as of December 31, 2019 and 2018.

## **Recent Accounting Pronouncements**

See Note 2 to our Consolidated Financial Statements.

## **Risk Factors**

Investing in our securities involves a significant degree of risk. We are subject to various risks, some of which are described below, that may materially affect our business, financial condition, results of operations or cash flows. An investor should carefully consider the risks and uncertainties described below and the other information in this annual report and other filings or press releases we make before deciding to purchase or sell our Common Stock. Additional risks and uncertainties may also materially and adversely affect our business, financial condition, results of operations or cash flows. If any of these risks or uncertainties actually occurs, our business, financial condition, operating results or cash flows could be materially harmed. In that case, the trading price of the Common Stock could decline and an investor could lose all or part of his or her investment.

## ***RISKS RELATED TO OUR BUSINESS***

***We have incurred significant net losses and cannot assure you that we will achieve or maintain profitable operations, and our auditors have issued a “going concern” audit opinion.***

Our net losses were \$2,973,000 and \$7,577,000 for the years ended December 31, 2019 and 2018, respectively. We also used cash in operations of \$1,238,000 and \$1,008,000 during the years ended December 31, 2019 and 2018, respectively. At December 31, 2019, the Company had net cash on hand (cash less accounts payables) in the amount of \$1,497,000. Based on current year performance-to-date, for which our revenues have declined in excess of our cost reductions, management estimates that the current funds on hand will be sufficient to continue operations through August 30, 2020. Furthermore, management is concerned about the potential near term disruption to the Las Vegas marketplace, and therefore our business, caused by the COVID-19 virus. These factors raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date of the financial statements being issued. The ability of the Company to continue as a going concern is dependent upon the Company’s ability to raise additional funds and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

***We have revenue concentration that may impact our future revenue growth or otherwise affect profitability of our business.***

During the years ended December 31, 2019 and 2018, Cirque du Soleil (“Cirque”) and MGM Resorts International (“MGM Resorts”) were partners on six shows, which together represented approximately 14% and 2% of our revenues, respectively. No single show, venue or theatre accounted for more than 10% of revenues.

In October 2017, MGM Resorts opened their own discount ticket booths on their hotel properties in Las Vegas and restricted our ability to sale certain Cirque shows at our Tix4Tonight booths. The MGM Resorts booths sell discount tickets for all shows located within their Las Vegas hotel properties. All shows located within the MGM Resorts Las Vegas hotel properties, including the four Cirque shows withdrawn from our Tix4Tonight booths, remained available for purchase on our website Tix4tonight.com.

In December 2018, the Company’s Tix4Tonight booths resumed selling MGM Resorts resident Cirque du Soleil shows, which for a period, as discussed above, had only been offered on the Company’s website. In March 2019, the Company entered into a Letter Agreement with MGM Resorts and Cirque which sets forth terms and conditions for the Company to sell Cirque, Blue Man Group and MGM Resorts Headliner tickets at its booths in Las Vegas and online. Although the Agreement term is for five years, it contemplates a subsequent agreement that may further alter and define the relationship between the Parties. The Letter Agreement also contains various termination rights for MGM Resorts and Cirque including due to certain events of default or change of control of the Company.

Competition from MGM Resorts’ discount ticket booths may materially negatively impact our future performance. If our existing relationships with MGM Resorts or Cirque deteriorate or are terminated and we are not successful in replacing lost business, our financial position, results of operations and cash flows could be materially and adversely affected.

***We may be adversely affected by an economic downturn, which could affect consumer and corporate spending, and therefore significantly adversely impact our operating results.***

Our business depends on discretionary consumer and corporate spending. Economic contraction, economic uncertainty or the perception by our customers of weak or weakening economic conditions may result in reductions in ticket sales and our ability to generate revenue. The risks associated with our businesses become more acute in periods of economic contraction, which may be accompanied by a decrease in our ticket sales. A sustained decline in economic conditions could result in a further decline in attendance at or reduction in the number of live entertainment events, which would have an adverse effect on our revenue and operating income.

In addition, many factors related to discretionary consumer spending and corporate spending, including economic conditions affecting disposable consumer income such as employment, fuel prices, interest rates, tax rates, inflation and fears of war, outbreaks of communicable diseases and future acts of terrorism can significantly impact our operating results.

***Because our business of selling discount show and discount dining is concentrated in Las Vegas, we are subject to greater risks than a company that is more geographically diversified.***

Our wholly-owned subsidiary, Tix4Tonight, offers for sale discount tickets to Las Vegas shows and discounted dining at various restaurants surrounding the Las Vegas Strip and downtown. Given that our ticket sales and dinner reservations are concentrated only in the Las Vegas area, our business may be significantly affected by risks common to the Las Vegas tourism industry. For example, the cost and availability of air services and the impact of any events that disrupt air travel to

and from Las Vegas can adversely affect our business. We cannot control the number or frequency of flights to or from Las Vegas, but we rely on air traffic to deliver a significant portion of our customers. Reductions in flights by major airlines as a result of higher fuel prices or lower demand can impact the number of customers purchasing tickets to Las Vegas shows and dinner reservations at Las Vegas restaurants. Additionally, there is one principal interstate highway between Las Vegas and Southern California, where a large number of our customers reside. Capacity constraints of that highway or any other traffic disruptions may also affect the number of visitors to Las Vegas and therefore the customers who purchase tickets or dinner reservations. In addition, the growth of gaming in areas outside Las Vegas may result in a decrease of customer visits to Las Vegas and, in turn, a decrease in ticket sales. Larger companies have the ability to manage their risk by diversification. As a result, we will likely be impacted more acutely by factors affecting Las Vegas, than we would if our business was diversified to other geographic areas, enhancing our risk profile.

In addition, the outbreak of communicable diseases, such as a new virus known as the Coronavirus (COVID-19), could result in a widespread health crisis that could adversely affect general commercial activity and our business. An outbreak of communicable diseases in the region that we operate or regions from which our customers travel from or through, or the perception that such an outbreak could occur, and the measures taken by the governments of countries affected, including restricting air travel and other means of transportation, imposing quarantines and curfews and requiring the closure of our offices or other businesses, including office buildings, theatres, retail stores and other commercial venues, could adversely affect our business, financial condition or results of operations.

***Our business is highly sensitive to public tastes and is dependent on our ability to secure popular 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 events. Our 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 events, the lack of availability of popular events and shows could limit our ability to generate revenue. Accordingly, our ticketing business' success depends, in part, upon the ability of these third parties to correctly anticipate public demand for particular events. 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.

***Our business depends on relationships between key executives, agents, and clients and any adverse changes in these relationships could adversely affect our business, financial condition and results of operations.***

The success of our ticketing business depends, in significant part, on our ability to maintain and renew relationships with existing clients and to establish new client relationships. We anticipate that, for the foreseeable future, significant revenue will be derived from sales of shows and events at MGM Resorts, including the Cirque shows. We cannot provide assurances that we will be able to maintain existing client contracts, or enter into or maintain new client contracts, on acceptable terms, if at all, and the failure to do so could have a material adverse effect on our business, financial condition and results of operations.

***If we fail to successfully introduce new products or services, we may lose market position.***

New products, product improvements or new services will be an important factor in our sales growth. For example, in 2017, we launched a full-service website and redesigned our discount dining program, both of which have improved revenue. If we fail to identify emerging trends, to maintain and improve the competitiveness of our existing products and services or to successfully introduce new products or services on a timely basis, we may lose market position.

***Loss of our key management could negatively impact our business.***

The entertainment industry is uniquely dependent upon personal relationships. As executives within the entertainment industry, we leverage our existing network of relationships with producers, promoters, and venue managers in order to secure the rights to distribute tickets and secure the other resources that are critical to our success. Due to the importance of those industry contacts to our business, the loss of any of our officers, including Mitch Francis, our President and Chief Executive Officer, could adversely affect our operations. While we maintain \$1 million of "key-man" life insurance on the life of Mitch Francis, the death or disability of Mr. Francis or other extended or permanent loss of his services, or any negative market or industry perception with respect to him or arising from his loss, could have a material adverse effect on our business. Our other officers also have substantial experience and expertise in our business and the unexpected loss of services of one or more of these individuals could also adversely affect us. We have entered into employment agreements with our officers to protect our interests in those relationships, but we can give no assurance that all or any of our officers will remain with us or will retain their associations with key contacts.

***Our network operations may be vulnerable to hacking, viruses and other disruptions, which may make our products and services less attractive and reliable and give rise to liabilities.***

Our network operations may be vulnerable to hacking, viruses and other disruptions, which may make our products and services less attractive and reliable and give rise to liabilities.

Our marketplaces and information technology platform generate and process a large quantity of personal, transactional, demographic and behavioral data. The security of data when engaging in e-commerce is essential to maintaining consumer confidence in our services. Any security breach whether instigated internally or externally on our system or other Internet-based systems could significantly harm our reputation and therefore our business, brand, market share and results of operations. We require user names and passwords in order to access our information technology systems. It is possible that computer circumvention capabilities, new discoveries or advances or other developments, including our own acts or omissions, could result in a compromise or breach of consumer data. For example, third parties may attempt to fraudulently induce employees or customers to disclose user names, passwords or other sensitive information (“phishing”), which may in turn be used to access our information technology systems or to defraud our customers.

Our existing security measures may not be successful in preventing security breaches. A party (whether internal, external, an affiliate or unrelated third party) that is able to circumvent our security systems could steal consumer information or transaction data or other proprietary information and cause disruptions in our service. We may be required to expend significant resources to protect against security breaches or to address problems caused and liabilities incurred by breaches. These issues are likely to become more difficult to manage as we expand the number of places where we operate and as the tools and techniques used in such attacks become more advanced. Security breaches could result in severe damage to our information technology infrastructure, including damage that could impair our ability to offer our services, as well as loss of customer, financial or other data that could materially and adversely affect our ability to conduct our business, satisfy our commercial obligations or meet our public reporting requirements in a timely fashion or at all. Security breaches could also result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability, subject us to regulatory penalties and sanctions, or cause consumers to lose confidence in our security and choose to use the services of our competitors, any of which would have a negative effect on the value of our brand, our market share and our results of operations. Our insurance policies coverage limits may not be adequate to reimburse us for losses caused by security breaches.

We also face risks associated with security breaches affecting third parties conducting business over the Internet. Consumers generally are concerned with security and privacy on the Internet, and any publicized security problems could inhibit the growth of the Internet and negatively affect consumers' willingness to provide private information or effect commercial transactions on the Internet generally, including through our services.

We are also subject to payment card association rules and obligations under our contracts with payment card processors. Under these rules and obligations, if information is compromised, we could be liable to payment card issuers for associated expenses and penalties. In addition, if we fail to follow payment card industry security standards, even if no customer information is compromised, we could incur significant fines or experience a significant increase in payment card transaction costs.

***The success of our business depends in part on the integrity of our systems and infrastructure. System interruption and lack of integration and redundancy in these systems and infrastructure may have an adverse impact on our business, financial condition and results of operations.***

The success of our business depends in part on our ability to maintain the integrity of our system and infrastructure, including websites, information and related systems, and distribution facilities. System interruption and the lack of integration and redundancy in the information systems and infrastructures of our ticketing operations may adversely affect our ability to process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. We may experience occasional system interruptions that make some or all systems or data unavailable, or prevent us from efficiently providing services or fulfilling orders. We also rely on affiliate and third-party computer systems, broadband and other communications systems and service providers in connection with the provision of services generally, as well as to facilitate, process and fulfill transactions. Any interruptions, outages or delays in the systems and infrastructures of our business, our affiliates and/or third parties, or deterioration in the performance of these systems and infrastructures, could impair the ability of our business to provide services, fulfill orders and/or process transactions. Fire, flood, power loss, telecommunications failure, acts of war or terrorism, acts of God and similar events, or disruptions may damage or interrupt computer, broadband or other communications systems and infrastructures at any time. Any of these events could cause system interruption, delays and loss of critical data, and could prevent us from providing services, fulfilling orders and/or processing transactions. While we have backup systems for certain aspects of our operations, these systems are not fully redundant and disaster recovery planning is not sufficient for all eventualities. In addition, we may not have adequate insurance coverage to compensate for

losses from a major interruption. If any of these adverse events were to occur, it could adversely affect our business, financial condition and results of operations.

***The processing, storage, use, and disclosure of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements or differing views of personal privacy.***

In the processing of consumer transactions, we receive, transmit and store a large volume of personally identifiable information and other user data. The sharing, use, disclosure and protection of this information are governed by the respective privacy and data security policies maintained by our business. Moreover, there are federal, state and international laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and user data. Specifically, personally identifiable information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. 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.

The failure by us and/or the various third-party vendors and service providers with which we do business, to comply with applicable privacy policies or federal, state or similar international laws and regulations, or any compromise of security that results in the unauthorized release of personally identifiable information or other user data could damage the reputation of our business, discourage potential users from trying the products and services that we offer, and/or result in fines and/or proceedings by governmental agencies and/or consumers, one or all of which could adversely affect our business, financial condition and results of operations.

***Cyber security incidents could have a disruptive effect on our business.***

While we have implemented security measures to safeguard our systems and data, our measures may not be sufficient to maintain the confidentiality, security, or availability of the data collected, stored, and used to manage our business. Efforts to hack or circumvent security measures, efforts to gain unauthorized access to data, failure of systems or software to operate as designed or intended, viruses, “ransomware” or other malware, “phishing” or other types of business email compromises, operator error, or inadvertent releases of data may materially impact our information systems. Our reliance on computer, Internet-based, and mobile systems and communications, and the frequency and sophistication of efforts by third parties to gain unauthorized access to such systems, have greatly increased in recent years. Like most corporations, we have experienced cyber-attacks, and attempts to disrupt access to our systems and data and the frequency and sophistication of such efforts could continue to increase. Although some of these efforts may not be successful or impactful, a significant theft, loss, loss of access to, or fraudulent use of customer or company data could adversely impact our reputation and could result in remedial and other expenses, fines, or litigation. Depending on the nature and scope of the event, compromises in the security of our information systems or other disruptions in data services could lead to an interruption in the operation of our systems, resulting in operational inefficiencies and a loss of profits, and negative publicity, resulting in tangible adverse effects on our business, including consumer boycotts, cancellations, lost sales or litigation, all of which could affect our market share, reputation, business, financial condition, or results of operations. In addition, although we carry cyber/privacy liability insurance that is designed to protect us against certain losses related to cyber risks, that insurance coverage may not be sufficient to cover all losses or all types of claims that may arise in connection with cyber-attacks, security compromises, and other related incidents. Furthermore, in the future such insurance may not be available on commercially reasonable terms, or at all.

#### ***RISKS RELATED TO OUR FINANCIAL CONDITION AND CAPITAL REQUIREMENTS; COMPETITION***

***Our operations are subject to intense competition and competitive pressures that could adversely affect our business, results of operations and financial condition.***

Tix4Tonight sells show, attraction and event tickets in Las Vegas, Nevada, generally at 25% to 50% off the box office price. Producers provide such tickets to us both on an exclusive and non-exclusive basis. Therefore, new ticket brokers can enter into competition with us to offer the same or similar ticketing services to non-exclusive shows and customers. Tix4Tonight faces competition from venues and producers selling discount tickets direct to customers, from online discount ticket sellers and the possibility exists for other competitors to compete both in Las Vegas and in other markets we target. Other competitors may possess longer operating histories, larger customer bases, longer relationships with producers, and significantly greater financial, technical, marketing, and public relations resources than us. Accordingly, we may not be able to compete successfully and competitive pressures may adversely affect our business, results of operations and financial condition. We believe that barriers to entry into the business segments that we compete in are low and that certain local ticket brokers, promoters and producers are increasingly expanding the geographic scope of their operations.

#### ***RISKS RELATED TO OUR STOCK***

***We could be delisted from the OTCQX, which could seriously harm the liquidity of our stock.***

On November 15, 2018, we received a written notice from the OTC Markets indicating that, based upon the market capitalization of our Common Stock for the last 30 consecutive days, we no longer met the requirement to maintain a market capitalization of at least \$5 million for at least one of every 30 consecutive calendar days, as set forth in OTCQX Rule 3.2.b.2. In accordance with OTCQX rules, we were provided a period of 180 calendar days, or until May 14, 2019, in which to regain compliance, which requires that we meet the minimum \$5 million market capitalization for 10 consecutive trading days. On March 20, 2019, we regained compliance by meeting the minimum \$5 million market capitalization for 10 consecutive trading days.

If we cease to be eligible to trade on the OTCQX in the future:

- We may have to pursue trading on a less recognized or accepted market, such as the OTCQB or the OTC Pink;
- Shares of our common stock could be less liquid and marketable, thereby reducing the ability of stockholders to purchase or sell our shares as quickly and as inexpensively as they have done historically. If our stock is traded as a “penny stock,” transactions in our stock would be more difficult and cumbersome; and
- We may be unable to access capital on favorable terms or at all, as companies trading on alternative markets may be viewed as less attractive investments with higher associated risks, such that existing or prospective institutional investors may be less interested in, or prohibited from, investing in our common stock. This may also cause the market price of our common stock to decline.

***There has been a limited trading market for our common stock and limited market activity to date.***

Currently, our common stock is available for quotation on the OTCQX Market under the symbol “TIXC.” There has been limited trading activity to date. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies by using common stock as consideration.

***You may have difficulty trading and obtaining quotations for our common stock.***

Our common stock is not actively traded, and the bid and asked prices for our common stock on the OTCQX Market may fluctuate widely. As a result, investors may find it difficult to dispose of, or to obtain accurate quotations of the price of, our securities. This severely limits the liquidity of the common stock, and would likely reduce the market price of our common stock and hamper our ability to raise additional capital.

***Our common stock is not currently traded at high volume, and you may be unable to sell at or near ask prices or at all if you need to sell or liquidate a substantial number of shares at one time.***

Our common stock is currently traded, but with very low if any, volume, based on quotations on the OTCQX Market, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent. During the year ended December 31, 2019, there were 69 trading days (just over 27% of trading days) with no trading volume, and the average number of shares traded during the year was 13,833 shares per trading day. This situation is attributable to a number of factors, including the fact that we are relatively unknown to stock analysts, stock brokers, institutional investors and others in the investment community that generate or influence sales volume. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to larger, well-known companies, which have a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that trading levels will be sustained.

***Our existing directors, executive officers and principal stockholders hold a substantial amount of our Common Stock and may be able to prevent other stockholders from influencing significant corporate decisions.***

Based on information known to us as of December 31, 2019 our directors and executive officers and principal stockholders beneficially owned or have the right to vote approximately 64.5% of our outstanding Common Stock. Because beneficial owners are not required to disclose their ownership interests publicly or to us, we may only rely on public sources and reports made directly to us when determining beneficial ownership, and, as a result, there may be other beneficial owner(s) of more than 5% of our Common Stock. Approximately 23.0% of our Common Stock is beneficially owned by Mitch Francis, our President and Chief Executive Officer, approximately 12.2% of our Common Stock is beneficially owned by our other officers and directors (other than Mr. Francis), approximately 15.1% of our Common Stock is beneficially owned by Bandera Master Fund LP, and approximately 14.2% of our Common Stock is beneficially owned by Boston Avenue Capital LLC.

These stockholders will be able to individually influence, or if acting in a similar manner, direct the outcome of matters, including, in certain circumstances, the election of our directors and other corporate actions, such as a merger with or into another company, a sale of substantially all of our assets, and amendments to our Certificate of Incorporation. In addition, this concentration of ownership might harm the market price of our common stock by delaying, deferring or preventing a change in corporate control, impeding a merger, consolidation, takeover or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us. The decisions of these stockholders may conflict with the Company's interests or the interest of the Company's other stockholders.

***Anti-takeover effects of our rights agreement may delay or prevent a change of control and may also make a merger or acquisition of our company less desirable.***

The Board of Directors has adopted a Rights Agreement as of April 1, 2011, as amended and restated on January 2, 2014 and further amended on August 28, 2017 (the "Rights Agreement"), commonly known as a poison pill, which may delay or prevent a change of control and may also make a merger or acquisition of our company less desirable. The Rights Agreement is generally triggered when an "Acquiring Person" (as defined by the Rights Agreement) acquires beneficial ownership of 4.95% or more of the Common Stock, with certain limited exceptions. Persons or groups who held 4.95% or more of the Common Stock as of January 2, 2014 are grandfathered under the Rights Agreement, meaning that they are not deemed to be Acquiring Persons unless and until they become the beneficial owner of any additional shares of Common Stock or they are grouped together with other stockholders for purposes of triggering the rights. Pursuant to the Settlement Agreement, the HSB Group was granted an exemption under the Rights Agreement to acquire beneficial ownership of up to 6.9% of our then-outstanding Common Stock, such that the HSB Group is not deemed to be an Acquiring Person unless and until they become the beneficial owners of shares of Common Stock in excess of 6.9% of our then-outstanding Common Stock. The preceding description of the Amended and Restated Rights Agreement is qualified in its entirety by reference to the terms of the Amended and Restated Rights Agreement, a copy of which is available at [Tixcorp.com](http://Tixcorp.com).

***Certain stock ownership changes could limit the future availability to us of accumulated net operating loss carry forwards.***

At December 31, 2019, we estimated that we had NOLs of approximately \$28.3 million, which are subject to certain limitations, which begin expiring in 2018 through 2032 in varying amounts. However, the NOLs originating in 2018 and 2019 can be carried forward indefinitely. NOLs may be carried forward to offset taxable income in future years and eliminate income taxes otherwise payable on such taxable income, subject to certain adjustments. Based on current corporate income tax rates, our NOLs could provide a benefit to us, if fully utilized, of significant future tax savings. However, our ability to use the federal NOLs would be substantially limited if there were an "ownership change" as defined under Section 382 of the Code and related U.S. Treasury regulations. In general, an ownership change would occur if our "5-percent shareholders," as defined under Section 382, collectively increase their ownership in our company by more than 50 percentage points over a rolling three-year period. As previously disclosed, the Board of Directors adopted an amendment to the Rights Agreement that is intended to reduce the likelihood that changes in our stockholder base would have the unintended effect of limiting our use of the NOLs. The Rights Agreement is generally triggered when an "Acquiring Person" (as defined by the Rights Agreement) acquires beneficial ownership of 4.95% or more of the Common Stock, with certain limited exceptions. Persons or groups who held 4.95% or more of the Common Stock as of January 2, 2014 are grandfathered under the Rights Agreement, meaning that they are not deemed to be Acquiring Persons unless and until they become the beneficial owner of any additional shares of Common Stock or they are grouped together with other stockholders for purposes of triggering the rights. This would protect the NOLs because changes in ownership by a person owning less than 4.95% of our Common Stock are not included in the calculation of "ownership change" for purposes of Section 382 of the Code. However, there can be no assurance that the Rights Agreement would be effective under all circumstances.

***Other companies may have difficulty acquiring us, even if doing so would benefit our stockholders, due to provisions under our corporate charter and bylaws, as well as Delaware law.***

Provisions in our certificate of incorporation, our bylaws, and under Delaware law could make it more difficult for other companies to acquire us, even if doing so would benefit our stockholders. Our certificate of incorporation and bylaws contain the following provisions, among others, which may inhibit an acquisition of our company by a third party:

- advance notification procedures for matters to be brought before stockholder meetings, including the nomination of directors;
- a limitation on who may call stockholder meetings;
- a limitation on the removal of directors; and
- the ability of our board of directors to issue up to 500,000 shares of preferred stock without a stockholder vote.

***The rights of the holders of common stock may be impaired by the potential issuance of preferred stock.***

Our certificate of incorporation gives our board of directors the right to create a new series of preferred stock. As a result, the board of directors may, without stockholder approval, issue preferred stock with voting, dividend, conversion, liquidation or other rights which could adversely affect the voting power and equity interest of the holders of Common Stock. Preferred stock, which could be issued with the right to more than one vote per share, could be utilized as a method of discouraging, delaying or preventing a change of control. The possible impact on takeover attempts could adversely affect the price of our Common Stock. Although we have no present intention to issue any shares of preferred stock or to create a series of preferred stock, we may issue such shares in the future.

***You may experience dilution of your ownership interests because of the future issuance of additional shares of our common or preferred stock or other securities that are convertible into or exercisable for our common or preferred stock.***

In the future, we may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our present stockholders. We are authorized to issue an aggregate of 100,000,000 shares of Common Stock and 500,000 shares of “blank check” preferred stock. We may issue additional shares of our Common Stock or other securities that are convertible into or exercisable for our Common Stock in connection with hiring or retaining employees, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. The future issuance of any such additional shares of our Common Stock may create downward pressure on the trading price of the Common Stock.

***Our Board of Directors has determined to suspend the payment of cash dividends as a result of market conditions and the corresponding decline in revenue, and, until such conditions improve, it is unlikely that we will reinstate the payment of dividends.***

As a result of the difficult market and operating conditions in Las Vegas, and the corresponding decline in our revenue, our Board of Directors, beginning with the third quarter of 2017, has suspended payment of our Common Stock quarterly dividend. Our dividend policy is assessed by the Board of Directors from time to time. The suspension allows us to retain cash and preserve capital so we are in a better position to capitalize on opportunities. Until market conditions improve, it is unlikely that we will reinstate the payment of dividends.

Moreover, the declaration and payment of dividends, if any, in the future will depend on the provisions of Delaware law affecting the payment of dividends. Delaware law generally requires that payment of dividends may only be declared and paid out of surplus or, under certain circumstances, net profits.

***Actions of activist shareholders could be disruptive and potentially costly and the possibility that activist shareholders may seek changes that conflict with our strategic direction could cause uncertainty about the strategic direction of our business.***

Activist shareholders who disagree with the composition of the Board of Directors, our strategy or the way we are managed may seek to effect change or to acquire control over us through various strategies that range from private engagement to publicity campaigns, proxy contests, efforts to force transactions not supported by the Board of Directors and litigation. Some investors seek to increase short-term stockholder value by advocating corporate actions such as financial restructuring, increased borrowing, special dividends, stock repurchases, or even sales of assets or the entire company. While we welcome varying opinions from all shareholders, activist campaigns that contest or conflict with our strategic direction could have an adverse effect on our results of operations and financial condition as responding to proxy contests and other actions by activist shareholders can disrupt our operations, be costly and time-consuming, and divert the attention of our Board and senior management from the pursuit of business strategies. We have been the subject of such activist campaigns and have taken the necessary measures in response, which were costly and time consuming. In addition, perceived uncertainties as to our future direction as a result of changes to the composition of our Board may lead to the perception of a change in the direction of the business, instability or lack of continuity which may be exploited by our competitors, may cause concern to our current or potential customers and vendors, may result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel and business partners. These types of actions could cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

In addition, we entered into the Settlement Agreement with the HSB Group to settle a proxy contest pertaining to the election of directors at the 2019 annual meeting. Under the Settlement Agreement, as described further herein, we agreed to certain governance changes for the duration of the Standstill Period, including, without limitation, certain super-majority voting requirements and requirements related to the composition of the Board and committees of the Board. The Settlement Agreement and the terms and conditions thereof imposing additional governance requirements could have an adverse effect on our results of operations and financial condition as compliance therewith may be time-consuming and divert the attention

of our Board and senior management from the pursuit of business strategies and there is no guarantee any special approval rights granted under the Settlement Agreement will be obtained.

## Results of Operations

### Consolidated Results of Operations

	Twelve Months Ended December 31,			%	%
				change	change
	2019	2018	2017	2019 v	2018 v
Revenues	\$ 12,746,000	\$ 12,969,000	\$ 17,395,000	-2%	-25%
Operating expenses:					
Direct cost of revenues	8,069,000	8,319,000	10,361,000	-3%	-20%
Selling, general and administrative expenses	5,706,000	5,759,000	6,220,000	-1%	-7%
Impairment of Goodwill	-	3,120,000	-	-100%	100%
Depreciation	108,000	133,000	167,000	-19%	-20%
Total costs and expenses	13,883,000	17,331,000	16,748,000	-20%	3%
Operating income (loss)	(1,137,000)	(4,362,000)	647,000	-74%	-774%
Loss on equity investment	(336,000)	-	-	-100%	-
Other income (expense), net	4,000	14,000	(14,000)	-71%	-200%
Income (loss) before provision for income tax	(1,469,000)	(4,348,000)	633,000	-66%	-787%
Provision for income tax	(1,504,000)	(3,229,000)	(5,320,000)	-53%	-39%
Net loss	\$ (2,973,000)	\$ (7,577,000)	\$ (4,687,000)	-61%	62%

### Management Overview

Our operating results for the fiscal year 2019 improved over the same period a year ago. We believe that we continued to be adversely impacted by the following external factors, which were previously reported:

1. Increased aggressive competition from online ticket sellers, show producers, and hotel properties;
2. MGM Resorts managing four of their own discount ticket booths; and
3. Continued increase in hotel rooms reserved for Las Vegas conventions, whose participants, we believe, attend fewer shows than casual tourists.

We have been diligently focused on addressing the changing landscape, by implementing various growth and cost saving initiatives, including but not limited to the following:

1. In December 2018, we entered into an arrangement with MGM Resorts whereby we once again, began selling the MGM Resorts shows, including the Cirque shows discussed above, from our Tix4Tonight booths.
2. In March 2019, we entered into a Letter Agreement with MGM Resorts International (“MGM Resorts”) and Cirque du Soleil (“Cirque”) which sets forth terms and conditions for the Company to sell Cirque, Blue Man Group and MGM Resorts Headliner tickets at its booths in Las Vegas and online. Although the Agreement term is for five years, it contemplates a subsequent agreement that may further alter and define the relationship between the Parties. The Letter Agreement also contains various termination rights for MGM Resorts and Cirque including due to certain events of default or change of control of the Company.
3. In July 2019, we announced our partnership with Reservations Gateway (“RG”) in forming TixRez, LLC (“TixRez”), which will provide online booking of activities throughout the world, driven by proprietary software. “Activities” includes shows, concerts, tours, attractions, and other entertainment and leisure opportunities. TixRez will initially address the information and booking needs of global travel agents to service their customers with a complete offering of activities available at their destinations. We will initially be a minority owner in this partnership, making monthly cash and other infrastructure contributions while RG as the majority owner contributed the software that it developed and committed to continue such development for the benefit of TixRez. With decades of combined expertise in tourism, activity marketing, and booking software, TixRez will use its owners’ experience, expertise, and relationships to aggressively pursue this open and growing market. After more than three years of software development by RG, TixRez plans for sales to commence in the first calendar quarter of the calendar year 2020.

4. We have reduced our operating expenses including reductions in workforce, voluntary reductions in executive compensation, voluntary elimination of executive bonuses, elimination of staff bonuses and various other operating expense reductions.

We continue our efforts to position ourselves for future growth by improving our online sales performance and strengthening partnerships that will yield additional revenue opportunities, while continuing to implement further long term operating cost reductions.

The outbreak of communicable diseases, such as a new virus known as the Coronavirus (COVID-19), could result in a widespread health crisis that could adversely affect general commercial activity and our business. An outbreak of communicable diseases in the region that we operate or regions from which our customers travel from or through, or the perception that such an outbreak could occur, and the measures taken by the governments of countries affected, including restricting air travel and other means of transportation, imposing quarantines and curfews and requiring the closure of our offices or other businesses, including office buildings, theatres, retail stores and other commercial venues, could adversely affect our business, financial condition or results of operations.

We will continue our proactive efforts and focus on innovative measures to counter the negative developments outlined above towards stabilization of our business.

### **Revenue Recognition**

See Note 2 to our consolidated financial statements.

### **Results of Operations for the year ended December 31, 2019 compared to the year ended December 31, 2018**

#### **Revenues**

Revenues were \$12.7 million and \$13.0 million for the years ended December 31, 2019 and 2018, respectively. Revenues were negatively impacted by the events discussed in “Management Overview” above.

#### **Direct Cost of Revenues**

Direct costs of revenues include payroll costs, rents, merchant credit card processing fees, utilities and third party commission and fees.

Direct costs of revenues were \$8.1 million and \$8.3 million for the years ended December 31, 2019 and 2018, respectively. The decrease in direct cost of revenues was due primarily to decreased locations in operation and decreased headcount, as compared to the same period of the prior year.

#### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses include expenses that relate to activities directed by our executive offices, including corporate personnel costs, insurance, legal and accounting fees, stock-based compensation expense, consulting and advisory fees, regulatory compliance costs, board of directors’ fees and corporate occupancy costs. In addition, selling, general and administrative expenses include employee benefit expenses, advertising and miscellaneous other general operating expenses to support our business.

Selling, general and administrative expenses were \$5.7 million and \$5.8 million for the years ended December 31, 2019 and 2018, respectively, which includes \$1.5 million and \$801,000 of legal and professional fees primarily related to corporate governance matters, respectively. The decrease in selling, general and administrative expense was due to decreased advertising costs of \$398,000, reductions in our remaining operating accounts of approximately \$405,000 from our expense reduction effort, offset by an increase in legal and professional fees primarily related to corporate governance matters (including the dispute referred to in Item 18 below) of approximately \$741,000, as compared to the same period a year ago.

#### **Impairment of Goodwill**

Impairment of Goodwill expense for the year ended December 31, 2018 was \$3.1 million. In December 2018, we tested our Goodwill for impairment and based on our findings, recorded an impairment charge of \$3.1 million. There was no similar impairment for the year ended December 31, 2019.

## **Depreciation**

Depreciation expense for the years ended December 31, 2019 and 2018 were \$108,000 and \$133,000, respectively. The decrease in depreciation expense was from property and equipment, which became fully depreciated during the same period of the prior year.

## **Loss on Equity Investment**

Loss on our equity investment was \$336,000 (see Note 4 of the accompanying financial statements). No comparable activity occurred during the same period a year ago.

## **Other Income**

Other income for the years ended December 31, 2019 and 2018 was \$4,000 and \$14,000, respectively.

## **Provision for Income Tax Expense**

Provision for income tax expense for the years ended December 31, 2019 and 2018 was \$1.5 million and \$3.2 million, respectively.

During the years ended December 31, 2019 and 2018, the Company evaluated its NOLs and determined that it is more likely than not that a portion of the net deferred tax assets will not be realized. As such, we recorded a reduction in the value of these assets of approximately \$1.7 million and \$3.4 million, respectively, which primarily relate to our net deferred tax assets.

On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJ Act”) was enacted into law. The TCJ Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended (the “Code”), that impact corporate taxation requirements, such as the reduction of the federal tax rate for corporations from 35% to 21% and changes limitations to certain tax deductions. Included in the TCJ Act was the repeal of the Alternative Minimum Tax (AMT) effective for tax years beginning after 2017. Along with the repeal of the AMT, the TCJ Act allows for refunds of outstanding AMT credit carryforwards that existed as of December 31, 2017. AMT credits remaining after utilization against current year tax liability are refundable at a 50 percent rate in taxable years 2018 to 2020 with any remaining unused credits being fully refundable in 2021. The Company will receive its remaining refund of \$75,000 in 2021.

## **Off-Balance Sheet Arrangements**

As of December 31, 2019, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

## **Liquidity and Capital Resources**

### *Fiscal year ended December 31, 2019*

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. Significant factors in the management of liquidity are funds generated by operations, levels of accounts payable and capital expenditures.

### *Cash flows from operating activities*

Cash flows used in operating activities was \$1.2 million for the year ended December 31, 2019. Cash flows used in operating activities were derived from our net loss of \$3.0 million offset by non-cash charges, which include changes in the deferred tax asset, change in lease liability, stock-based compensation expense and depreciation. Total non-cash charges were \$2.2 million. The net loss plus the non-cash charges were offset by changes in working capital accounts of \$438,000.

### *Cash flows used in investing activities*

Cash used in investing activities was \$381,000 for the year ended December 31, 2019, of which 45,000 was used to purchase property and equipment, and \$336,000 was used to purchase an equity investment (see Note 4 of the accompanying financial statements).

*Fiscal year ended December 31, 2018*

*Cash flows from operating activities*

Cash flows used in operating activities were \$1.0 million for the year ended December 31, 2018. Cash flows used in operating activities were derived from our net loss of \$7.6 million and increased by net non-cash charges, which include changes in the deferred tax asset, impairment of Goodwill, stock-based compensation expense and depreciation. Total non-cash charges were \$6.8 million. The net loss plus the non-cash charges were offset by changes in working capital accounts of \$189,000.

*Cash flows used in investing activities*

Cash used in investing activities was \$51,000 for the year ended December 31, 2018 was used to purchase property and equipment.

*Cash flows used in financing activities*

Cash used in financing activities was \$200,000 for the year ended was for a final payment of \$200,000 on our note payable.

At December 31, 2019, the Company had net cash on hand (cash less accounts payables) in the amount of \$1,497,000. Based on current year performance-to-date, for which our revenues have declined in excess of our cost reductions, management estimates that the current funds on hand will be sufficient to continue operations through August 30, 2020. Furthermore, Our Tix4Tonight business is located in Las Vegas where we sell shows, attractions, tours and dining from our nine ticket booths that are strategically located on the Strip. Due to efforts to mitigate the impact of COVID-19, virtually all Las Vegas entertainment, restaurants, bars, and major hotel properties such as Wynn Resorts and MGM Resorts International have recently closed. With the closure of entertainment on the Las Vegas Strip, and therefore the cessation of revenue for our business, we effected a layoff of the majority of our employees, closed our ticket booths, and continue to significantly reduce our operating costs. These actions commenced on March 16, 2020. We will continually monitor the Las Vegas marketplace to determine when and if we will be able to commence operations again. We intend to seek available disaster assistance, as well as forms of financing to help with liquidity during this disruption to our business.

The continuation of the Company as a going concern is dependent upon its ability to obtain necessary debt or equity financing to continue operations until it begins generating positive cash flow. 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 the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case or equity financing.

## **Contractual Obligations and Commitments**

### *Employment Agreements*

Effective as of March 1, 2020, we entered into an Employment Agreement, with Mitch Francis, Chief Executive Officer (the "Francis Employment Agreement"). The Francis Employment Agreement has a four-year term through February 28, 2024 and provides for Mr. Francis to receive an annual base salary, and is subject to annual increases based on a federal cost of living index. Mr. Francis is entitled to receive an annual incentive bonus based on our annual consolidated free cash flow per share for such fiscal year. On March 1, 2020, Mr. Francis shall be granted options to purchase an aggregate of 400,000 shares of the Company Common Stock at an exercise price of \$0.55 per share. 200,000 of the options shall vest and become exercisable on March 1, 2022, 100,000 of the options shall vest and become exercisable on March 1, 2023, and 100,000 of the options shall vest and become exercisable on February 28, 2024. The options shall expire ten years from the date of the grant. For further information on the Francis Employment Agreement, please see Part F, Item 18, below.

Effective as of September 1, 2016, we entered into an Employment Agreement with Kimberly Simon, our Chief Operating Officer (the "Simon Employment Agreement"). The Simon Employment Agreement has a five-year term through August 31, 2021 and provides for Ms. Simon to receive an annual base salary, and is subject to annual increases based on a federal cost of living index. Ms. Simon is entitled to receive an annual incentive bonus based upon our annual consolidated free cash flow per share for such fiscal year. Ms. Simon was granted options to purchase shares of Common Stock (the "Simon Options"), with 50,000 Simon Options vesting and becoming exercisable on each anniversary date. We also provide Ms. Simon certain other benefits.

The Francis Employment Agreement and the Simon Employment Agreement specify certain compensation and benefits payable to the executive in the event of a qualifying termination of employment in connection with a change of control of our company. Pursuant to each employment agreement, upon the termination of the executive's employment by us or by the executive for any reason, the executive becomes entitled to all accrued obligations, including accrued but not paid base salary, incentive bonus and reimbursements. Upon termination of the executive's employment by us without cause at any time, or by the executive for any reason within the six-month period following the occurrence of a change of control of our company, the executive will become entitled to additional severance payments and benefits, subject to his or her exercise of a release of claims, calculated in accordance with the relevant employment agreement.

#### *Operating Lease Obligations*

We lease office space at 12711 Ventura Blvd., Suite 340, Studio City, California 91604 as our corporate headquarters. We conduct the operations of Tix4Tonight at various leased locations, including an administrative office, in Las Vegas, Nevada. The leases have various terms, primarily ranging from month-to-month to four years, with options to extend. Many of our Las Vegas operating leases contain predetermined fixed increases in the minimum rental rate during the initial lease term and/or rent holiday periods. For these leases, we recognize the related rent expense on a straight-line basis beginning on the effective date of the lease. Some leases also contain provisions for additional rent based on sale levels. Total lease expense was \$2.8 million and \$3.0 million for the years ended December 31, 2019 and 2018, respectively. Please see Note 5 of the accompanying consolidated financial statements for a discussion of our operating lease commitments.

### **PART E – ISSUANCE HISTORY**

#### **Item 17. List of Securities Offerings and Shares Issued for Services in the Past Two Years**

We did not issue any Common Stock or promissory notes (convertible or non-convertible) during the fiscal years 2019 or 2018.

### **PART F – EXHIBITS**

#### **Item 18. Material Contracts**

1. On February 18, 2020, the Company entered into a new employment agreement, effective March 1, 2020, with its existing Chief Executive Officer, Mitch Francis. The new employment agreement with Mitch Francis, the Company's Chief Executive Officer (the "Francis Employment Agreement"), replaces his prior employment agreement expiring on February 28, 2020. The Francis Employment Agreement has a four-year term through February 28, 2024, and provides for the following:
  - a. An initial base salary to be \$495,000 per year, subject to annual increases based on the greater of three percent and the one year percentage increase in the Federal Cost of Living Index, Southern California District consumer price index, which in no event shall exceed ten percent.
  - b. An annual incentive bonus for each fiscal year ended December 31, which shall equal the product of consolidated free cash flow per share for that year based on the outstanding shares of the Company Common Stock as of December 31 for such year multiplied by one million five hundred thousand dollars (\$1,500,000). Consolidated free cash flow is calculated by subtracting the sum of non-cash extraordinary gains, to the extent such gains are reflected in net income (loss), cash, securities, assets or other property received in connection with or pursuant to any legal settlements entered into by the Company, to the extent such gains are reflected in net income (loss), asset disposition proceeds to the extent such gains are reflected in net income (loss), capital expenditures, minus any indebtedness incurred in connection with any such capital expenditures, scheduled principal payments on indebtedness of the Company and its consolidated entities during such period, other than in connection with a refinancing of such indebtedness or debt incurred in connection with repurchase of the Company's shares, and any gains minus any losses, in either case, in connection with the repurchase of any debt or equity of the Company or any of its consolidated entities, discontinued operations or inventory sales/obsolescence, from net income (loss), depreciation and amortization, federal and state income taxes, non-cash executive compensation, amortization of goodwill to the extent not reflected in depreciation and amortization and non-cash extraordinary losses.
  - c. On March 1, 2020, Mr. Francis shall be granted options to purchase an aggregate of 400,000 shares of the Company Common Stock at an exercise price of \$0.55 per share. 200,000 of the options shall vest and become exercisable on March 1, 2022, 100,000 of the options shall vest and become exercisable on March 1, 2023, and 100,000 of the options shall vest and become exercisable on February 28, 2024. The options shall expire ten years from the date of the grant.
  - d. The Company shall provide or reimburse Mr. Francis and his spouse for long-term care insurance premiums, certain life, disability and health insurance benefits, an automobile allowance, and other benefits.
  - e. Mr. Francis is entitled to the following severance benefits under the Francis Employment Agreement. If Mr. Francis is terminated for any reason by the Company or resigns from the Company, Mr. Francis will be entitled to any base salary accrued but not yet paid (including accrued and unpaid vacation time) on or before the date Mr. Francis' employment terminates, any incentive bonus due but not paid on or before the date Mr. Francis' employment

terminates for fiscal years ending on or before such date, plus any prorated incentive bonus due for the year in which the date Mr. Francis' employment terminates and certain reimbursements due to Mr. Francis under the Francis Employment Agreement. If Mr. Francis' employment is terminated by Mr. Francis resigning from the Company for any reason within six (6) months following a change in control of the Company or by the Company without "cause" (other than death and disability), Mr. Francis will also be entitled to a lump sum payment on the 30th day following the date Mr. Francis' employment terminates of an amount equal to the number of months remaining in the term of the Francis Employment Agreement multiplied by the sum of Mr. Francis' highest rate of annualized base salary in the preceding twelve months, divided by twelve, plus the amount of his largest annual cash bonus for any prior fiscal year, divided by twelve, the provision or reimbursement of certain long-term care premiums, life, disability, and health insurance benefits, automobile allowance, and other benefits for the remainder of the term of his agreement, a lump sum payment on the 30th day following the date Mr. Francis' employment terminates of an amount equal to three (3) times his highest rate of annualized base salary plus three (3) times his highest annual bonus from the Company at any time, immediate accelerated vesting of all of Mr. Francis' unvested stock options and other equity awards granted by the Company to Mr. Francis, and all legal fees and expenses incurred by Mr. Francis as a result of such termination.

2. Effective as of September 1, 2016, we entered into an Employment Agreement with Kimberly Simon, our Chief Operating Officer (the "Simon Employment Agreement"). The Simon Employment Agreement has a five-year term through August 31, 2021 and provides for Ms. Simon to receive an annual base salary, and is subject to annual increases based on a federal cost of living index. Ms. Simon is entitled to receive an annual incentive bonus based upon our annual consolidated free cash flow per share for such fiscal year. Ms. Simon was granted options to purchase shares of Common Stock (the "Simon Options"), with 50,000 Simon Options vesting and becoming exercisable on each anniversary date. We also provide Ms. Simon certain other benefits.

The Simon Employment Agreement specify certain compensation and benefits payable to the executive in the event of a qualifying termination of employment in connection with a change of control of our company. Pursuant to each employment agreement, upon the termination of the executive's employment by us or by the executive for any reason, the executive becomes entitled to all accrued obligations, including accrued but not paid base salary, incentive bonus and reimbursements. Upon termination of the executive's employment by us without cause at any time, or by the executive for any reason within the six-month period following the occurrence of a change of control of our company, the executive will become entitled to additional severance payments and benefits, subject to his or her exercise of a release of claims, calculated in accordance with the relevant employment agreement.

3. On March 1, 2019 the Company entered into a Letter Agreement with MGM Resorts International ("MGM Resorts") and Cirque du Soleil ("Cirque") which sets forth terms and conditions for the Company to sell Cirque, Blue Man Group and MGM Resorts Headliner tickets at its booths in Las Vegas and online. Although the Agreement term is for five years, it contemplates a subsequent agreement that may further alter and define the relationship between the Parties. The Letter Agreement also contains various termination rights for MGM Resorts and Cirque including due to certain events of default or change of control of the Company.
4. On October 4, 2019, we entered into the Settlement Agreement with the HSB Group to settle the proxy contest pertaining to the election of directors at our 2019 annual meeting. Pursuant to the Settlement Agreement, four incumbent directors, Andrew Pells, Steven Zelinger, Aaron Bregman and Mesfin Eyob, resigned and were replaced by three HSB Group designees, namely, Haren Bhakta, Michael Fisk and Jeremy Weiner. Also, pursuant to the terms of the Settlement Agreement, (i) Norman Feirstein was appointed as the Chairman of the Board, (ii) Haren Bhakta was appointed as a member of the Compensation Committee, the Audit Committee and the Nomination and Governance Committee, (iii) we agreed to include Haren Bhakta, Michael Fisk and Jeremy Weiner as nominees for election to the Board on the slate of nominees in our proxy statement and on our proxy card relating to our 2020 annual meeting, (iv) the HSB Group is subject to certain standstill restrictions during the Standstill Period, and during the Standstill Period, the HSB Group must vote or consent in favor of each of the directors nominated by the Board and recommended by the Board in the election of directors and against any stockholder proposal to remove any such members of the Board, (v) the HSB Group was granted an exemption under the Rights Agreement to acquire beneficial ownership of up to 6.9% of our then-outstanding Common Stock, such that the HSB Group is not deemed to be an Acquiring Person unless and until they become the beneficial owner of shares of Common Stock in excess of 6.9% of our then-outstanding Common Stock, and (vi) the Company and the HSB Group agreed to a mutual release of claims related to the proxy contest.

Furthermore, in connection with the Settlement Agreement, the Board approved an amendment to our bylaws to: (i) provide as a qualification for service as a director on our Board, a natural person shall, subject to certain exceptions, purchase, of record or beneficially, at least 25,000 shares of our Common Stock, either at the time such person is first elected or appointed to the Board, or within one year of such election or appointment, and for each subsequent year each non-management director is re-elected to the Board, such director must acquire, within twelve months thereof, an additional 25,000 shares of Common Stock, until such director acquires 100,000 shares of our common stock; (ii) fix the number of directors which shall constitute the whole Board at seven (7); (iii) provide that any director may call a meeting of the Board and propose agenda items therefor; (iv) provide that the Chairman of the Board must be a non-management director elected by a majority of the whole Board; and

(v) provide that until the conclusion of the Standstill Period, our bylaws and the resolutions adopted by the Board on October 4, 2019 may not be amended by the Board without the affirmative vote of at least 66% of the whole Board. The foregoing description of the amendments to our bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of our bylaws, a copy of which is available at [www.tixcorp.com](http://www.tixcorp.com).

5. Effective on June 27, 2019, the Company co-founded with Reservations Gateway, Inc. (“RG”) TixRez LLC (“TixRez”), to provide online booking of activities throughout the world, driven by proprietary software. “Activities” includes shows, concerts, tours, attractions, and other entertainment and leisure opportunities. As of December 31, 2019, Tix and RG owned 21% and 79%, respectively, of TixRez’s issued capital stock and each of the Company and RG maintained equal representation on TixRez Board of Managers (the “Board”). As contribution for their respective interests, the parties agreed that the Company contribute to TixRez, a total of \$504,000, for use by TixRez solely as working capital and RG assigned to TixRez its intellectual property rights in the software to be used by TixRez. The Company had the right to reduce its contribution by up to \$210,000, and with it, its corresponding ownership of the venture. In such an event, RG would have had the option to purchase all of the Company’s interest in TixRez at that time. The Company has a multi-year option to purchase up to 30% more of TixRez from RG at the same relative value that the Company paid for its original interest, by payment of cash or, after January 1, 2020, shares of the Company’s common stock valued at their then market price, or any combination of cash and shares. The foregoing description of certain terms of the operating agreement of TixRez does not purport to be complete and is qualified in its entirety by reference to the full text of the operating agreement of TixRez.
6. Amendment to the Amended and Restated Rights Agreement, dated August 28, 2017. A copy of the Amended and Restated Rights Agreement is available at <http://www.tixcorp.com/> and incorporated herein by reference.

#### **Item 19. Articles of Incorporation and Bylaws**

1. Fourth Amendment to Certificate of Incorporation of Cinema Ride, Inc., as filed with the State of Delaware, effective March 3, 2005. A copy of the Fourth Amendment to Certificate of Incorporation of Cinema Ride, Inc. is available at <http://www.tixcorp.com/> and incorporated herein by reference.
2. Second Amended and Restated Bylaws, dated October 7, 2019. A copy of the Second Amended and Restated Bylaws is available at <http://www.tixcorp.com/> and incorporated herein by reference.

#### **Item 20. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

We are authorized to repurchase certain restricted shares of Common Stock from employees; provided, that the aggregate dollar amount that may be repurchased by us pursuant to this authorization must not exceed \$500,000 per annum and such amount may be further reduced based on certain minimum cash on hand thresholds. Such authority has been delegated to the Chief Executive Officer. No repurchases were made in 2019 and 2018.

**Item 21. Issuer's Certification**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Mitch Francis, certify that:

1. I have reviewed this annual disclosure statement of Tix Corporation;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date:        March 19, 2020                    /s/ Mitch Francis  
   Mitch Francis  
   Chairman and Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Steve Handy, certify that:

1. I have reviewed this annual disclosure statement of Tix Corporation;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date:        March 19, 2020                    /s/ Steve Handy  
   Steve Handy  
   Chief Financial Officer

**TIX CORPORATION AND SUBSIDIARY  
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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Tix Corporation  
Studio City, California

### *Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of Tix Corporation and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018 and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tix Corporation and subsidiary as of December 31, 2019 and 2018, and the results of their consolidated operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Going Concern*

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the Company experienced a net loss and utilized cash from operations during the year ended December 31, 2019. In addition, the Company's business is located in Las Vegas where it sells shows, attractions, tours and dining from ticket booths located on the Las Vegas Strip. Due to efforts to mitigate the impact of COVID-19, virtually all Las Vegas entertainment has been currently suspended. With the closure of entertainment on the Las Vegas Strip, the Company is unable to determine when and if, operations can resume. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the financial statements. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

**Weinberg & Company, P.A.**

Los Angeles, California  
March 19, 2020

**TIX CORPORATION AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 2,251,000	\$ 3,870,000
Prepaid expenses and other current assets	212,000	381,000
<b>Total current assets</b>	2,463,000	4,251,000
<b>Property and equipment, net</b>	123,000	186,000
<b>Right of use asset, net</b>	3,086,000	-
<b>Other assets:</b>		
Deferred tax asset	-	1,653,000
Equity investment	-	-
Deposits and other assets	487,000	215,000
<b>Total other assets</b>	487,000	1,868,000
<b>Total assets</b>	\$ 6,159,000	\$ 6,305,000
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable – shows and events	\$ 267,000	\$ 660,000
Accounts payable and accrued expenses	487,000	412,000
Leases payable, current portion	1,601,000	-
Deferred revenue	42,000	59,000
<b>Total current liabilities</b>	2,397,000	1,131,000
Leases payable	1,550,000	-
Deferred rent obligations	-	75,000
<b>Total liabilities</b>	3,947,000	1,206,000
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred stock, \$.01 par value; 500,000 shares authorized; none issued		
Common stock, \$.08 par value; 100,000,000 shares authorized; 17,342,175 shares net of 16,644,814 treasury shares issued and outstanding at December 31, 2019 and 2018, respectively	2,720,000	2,720,000
Additional paid-in capital	95,199,000	95,113,000
Treasury stock at cost	(28,164,000)	(28,164,000)
Accumulated deficit	(67,543,000)	(64,570,000)
<b>Total stockholders' equity</b>	2,212,000	5,099,000
<b>Total liabilities and stockholders' equity</b>	\$ 6,159,000	\$ 6,305,000

See accompanying notes to the consolidated financial statements.

**TIX CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Revenues	\$ <u>12,746,000</u>	\$ <u>12,969,000</u>
Operating expenses:		
Direct costs of revenues	8,069,000	8,319,000
Selling, general and administrative expenses	5,706,000	5,759,000
Impairment of goodwill	-	3,120,000
Depreciation	<u>108,000</u>	<u>133,000</u>
Total costs and expenses	<u>13,883,000</u>	<u>17,331,000</u>
Operating loss	<u>(1,137,000)</u>	<u>(4,362,000)</u>
Loss on equity investment	<u>(336,000)</u>	<u>-</u>
Other income:		
Interest income	<u>4,000</u>	<u>14,000</u>
Loss before provision for income tax expense	(1,469,000)	(4,348,000)
Provision for income tax expense	<u>(1,504,000)</u>	<u>(3,229,000)</u>
Net loss	\$ <u><u>(2,973,000)</u></u>	\$ <u><u>(7,577,000)</u></u>
Net loss per common share – basic and diluted	\$ <u><u>(0.17)</u></u>	\$ <u><u>(0.44)</u></u>
Weighted average common shares outstanding – basic and diluted	<u><u>17,342,175</u></u>	<u><u>17,342,175</u></u>

See accompanying notes to the consolidated financial statements.

**TIX CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>Common stock</b>		<b>Additional</b>		<b>Treasury</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>Paid In</b>	<b>Accumulated</b>	<b>Stock</b>	<b>Stockholders'</b>
			<b>Capital</b>	<b>Deficit</b>		<b>Equity</b>
Balance, December 31, 2017	17,342,175	\$ 2,720,000	\$ 95,003,000	\$ (56,993,000)	\$ (28,164,000)	\$ 12,566,000
Stock-based compensation	-	-	110,000	-	-	110,000
Net loss	-	-	-	(7,577,000)	-	(7,577,000)
Balance, December 31, 2018	17,342,175	2,720,000	95,113,000	(64,570,000)	(28,164,000)	5,099,000
Stock-based compensation	-	-	86,000	-	-	86,000
Net loss	-	-	-	(2,973,000)	-	(2,973,000)
Balance, December 31, 2019	<u>17,342,175</u>	<u>\$ 2,720,000</u>	<u>\$ 95,199,000</u>	<u>\$ (67,543,000)</u>	<u>\$ (28,164,000)</u>	<u>\$ 2,212,000</u>

See accompanying notes to the consolidated financial statements.

**TIX CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Cash flows from operating activities:		
Net loss	\$ (2,973,000)	\$ (7,577,000)
<b>Adjustments to reconcile net loss to cash used in operating activities:</b>		
Depreciation	108,000	133,000
Amortization of right of use asset	2,104,000	-
Change in lease liability	(2,114,000)	-
Loss on equity investment	336,000	-
Change in deferred tax assets valuation allowance	1,653,000	3,395,000
Impairment of Goodwill	-	3,120,000
Stock-based compensation	86,000	110,000
(Increase) decrease in:		
Prepaid expenses and other assets	(103,000)	(92,000)
Increase (decrease) in:		
Accounts payable – shows and events	(393,000)	(51,000)
Accounts payable and accrued expenses	75,000	(108,000)
Deferred revenue	(17,000)	36,000
Deferred rent obligation	-	26,000
Net cash used in operating activities	(1,238,000)	(1,008,000)
Cash flows from investing activities:		
Purchase of property and equipment	(45,000)	(51,000)
Purchases of equity investment	(336,000)	-
Net cash used in investing activities	(381,000)	(51,000)
Cash flows from financing activities:		
Payment of note payable	-	(200,000)
Net cash used in financing activities	-	(200,000)
Net decrease	(1,619,000)	(1,259,000)
Balance at beginning of period	3,870,000	5,129,000
Balance at end of period	\$ 2,251,000	\$ 3,870,000
Supplemental disclosures of cash flow information:		
Cash paid for:		
Income taxes	\$ 1,000	\$ 1,000
Interest	\$ -	\$ -
Non-Cash Operating Activities		
Recording of right of use asset and lease liability upon adoption of new lease accounting rule on January 1, 2019	\$ 1,921,000	\$ -
Reclass of deferred rent to right of use asset	\$ 75,000	-
Recording of right of use asset and lease liability for new or modified lease agreements entered into during the year ended December 31, 2019	\$ 3,269,000	\$ -

See accompanying notes to the consolidated financial statements.

**TIX CORPORATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**1. Organization and Basis of Presentation**

Tix Corporation (the “Company”) was incorporated in Delaware on April 6, 1993. The Company is an entertainment company providing discount ticketing and discount dinner reservations through its subsidiary Tix4Tonight, LLC (“Tix4Tonight”).

The Company’s wholly-owned subsidiary, Tix4Tonight, offers for sale discount tickets for shows, attractions and tours, and dining and shopping. Customers can either purchase tickets online or at the Company’s multiple retail locations while in Las Vegas. Tix4Tonight sells discounted tickets under short-term, exclusive and nonexclusive agreements with most Las Vegas shows and numerous attractions and tours running at any one time. There are usually many more tickets available each day than are sold, although it is not uncommon for Tix4Tonight to sell out its supply of tickets for individual shows. The shows are paid on a weekly basis only for the tickets that Tix4Tonight actually sells to customers. Revenues are recorded at net of cost, that is, we record only the commissions and service fees as revenues.

*Going Concern*

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying consolidated financial statements, during the year ended December 31, 2019, the Company incurred a net loss of \$2,973,000 and used cash in operations of \$1,238,000. These factors raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date of the financial statements being issued. The ability of the Company to continue as a going concern is dependent upon the Company’s ability to raise additional funds and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

At December 31, 2019, the Company had net cash on hand (cash less accounts payables) in the amount of \$1,497,000. Based on current year performance-to-date, for which our revenues have declined in excess of our cost reductions, management estimates that the current funds on hand will be sufficient to continue operations through August 30, 2020. In addition, our Tix4Tonight business is located in Las Vegas where we sell shows, attractions, tours and dining from our nine ticket booths that are strategically located on the Strip. Due to efforts to mitigate the impact of COVID-19 (see Risk Factor on page 18), virtually all Las Vegas entertainment, restaurants, bars, and major hotel properties such as Wynn Resorts and MGM Resorts International have recently closed. With the closure of entertainment on the Las Vegas Strip, and therefore the cessation of revenue for our business, we effected a layoff of the majority of our employees, closed our ticket booths, and continue to significantly reduce our operating costs. These actions commenced on March 16, 2020. We will continually monitor the Las Vegas marketplace to determine when and if we will be able to commence operations again. We intend to seek available disaster assistance, as well as forms of financing to help with liquidity during this disruption to our business.

The continuation of the Company as a going concern is dependent upon its ability to obtain necessary debt or equity financing to continue operations until it begins generating positive cash flow. 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 the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stock holders, in case or equity financing.

**2. Summary of Significant Accounting Policies**

*Revenue Recognition*

We have several streams of revenue, each of which is required under Generally Accepted Accounting Principles (“GAAP”) to be recognized in varying ways. The following is a summary of our revenue recognition policies:

Our Las Vegas discount ticketing business recognizes as revenue the commissions and related transaction fees earned from the sale of Las Vegas shows, events and attractions (“event”) on the date the event is held. Our transaction fees are charged on a per-ticket basis and payment is collected at the time of sale. When customers pay us prior to the date of the purchased event, we record the amount as deferred revenue until such date of the event. Claims for refunds are recorded as a reduction to our commissions and fees at the time that such refunds are processed.

Our Vegas Dining Card provides our customers access to multiple participating discounted restaurant offers available for up to seven (7) days from date of purchase. For the Vegas Dining Card, we recognize as revenue solely the transaction fees earned at the time of sale.

**TIX CORPORATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

On January 1, 2018, the Company adopted Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers. The underlying principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers at the amount expected to be collected. ASC 606 creates a five-step model that requires entities to exercise judgment when considering the terms of contract(s), which includes (1) identifying the contract(s) or agreement(s) with a customer, (2) identifying our performance obligations in the contract or agreement, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations, and (5) recognizing revenue as each performance obligation is satisfied. Under ASC 606, revenue is recognized when performance obligations under the terms of a contract are satisfied, which occurs for the Company upon shipment or delivery of products or services to our customers based on written sales terms, which is also when control is transferred. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring the products or services to a customer.

The implementation of ASC 606 had no impact on the prior period financial statements and no cumulative effect adjustment was recognized.

*Revenue Concentrations*

During the years ended December 31, 2019 and 2018, Cirque du Soleil (“Cirque”) and MGM Resorts International (“MGM Resorts”) were partners on six shows, which together represented approximately 14% and 2% of our revenues, respectively. No single show, venue or theatre accounted for more than 10% of revenues.

In October 2017, MGM Resorts opened their own discount ticket booths on their hotel properties in Las Vegas and restricted our ability to sale certain Cirque shows at our Tix4Tonight booths. All shows located within the MGM Resorts Las Vegas hotel properties, including the four Cirque shows withdrawn from our Tix4Tonight booths, remained available for purchase on our website Tix4tonight.com.

In December 2018, the Company’s Tix4Tonight booths resumed selling MGM Resorts resident Cirque du Soleil shows, which for a period, had only been offered on the Company’s website. In March 2019, the Company entered into a Letter Agreement with MGM Resorts and Cirque which sets forth terms and conditions for the Company to sell Cirque, Blue Man Group and MGM Resorts Headliner tickets at its booths in Las Vegas and online. Although the Agreement term is for five years, it contemplates a subsequent agreement that may further alter and define the relationship between the Parties. The Letter Agreement also contains various termination rights for MGM Resorts and Cirque including due to certain events of default or change of control of the Company.

Competition from MGM Resorts’ discount ticket booths may materially negatively impact our future performance. If our existing relationships with MGM Resorts or Cirque deteriorate or are terminated and we are not successful in replacing lost business, our financial position, results of operations and cash flows could be materially and adversely affected.

*Consolidation*

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Intercompany transactions and balances are eliminated in consolidation.

*Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation or amortization. Depreciation is recorded at the time property and equipment is placed in service using the straight-line method over the estimated useful lives of the related assets, which range from one to ten years. Leasehold improvements are amortized over the shorter of the expected useful lives of the related assets or the lease term.

Management assesses the carrying value of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If there is an indication of impairment, management prepares an estimate of future cash flows expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. The Company did not record an impairment loss for the years ended December 31, 2019 and 2018.

*Stock-Based Compensation*

The Company periodically issues stock options and warrants to employees. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by Accounting Standards Codification

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(“ASC”) Topic 718 – *Stock Compensation*, whereas the value of the award is measured on the date of grant and recognized over the vesting period.

The fair value of the Company’s common stock option grants are estimated using the Black-Scholes option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the common stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model, and based on actual experience. The assumptions used in the Black-Scholes option pricing model could materially affect compensation expense recorded in future periods.

*Income Taxes*

The Company accounts for income taxes using the asset and liability method, whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized before the Company is able to realize their benefits, or that future deductibility is uncertain. The Company considers future taxable income and ongoing, prudent and feasible tax planning strategies, in assessing the value of its deferred tax assets.

On December 22, 2017, the Tax Cuts and Jobs Act (the “TCJ Act”) was enacted into law. The TCJ Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended (the “Code”), that impact corporate taxation requirements, such as the reduction of the federal tax rate for corporations from 35% to 21% and changes limitations to certain tax deductions. Included in the TCJ Act was the repeal of the Alternative Minimum Tax (AMT) effective for tax years beginning after 2017. Along with the repeal of the AMT, the TCJ Act allows for refunds of outstanding AMT credit carryforwards that existed as of December 31, 2017. AMT credits remaining after utilization against current year tax liability are refundable at a 50 percent rate in taxable years 2018 to 2020 with any remaining unused credits being fully refundable in 2021. The Company will receive its remaining refund of \$75,000 in 2021.

During the years ended December 31, 2019 and 2018, the Company evaluated its NOLs and determined that it is more likely than not that a portion of the net deferred tax assets will not be realized. As such, we recorded a reduction in the value of these assets of approximately \$1.7 million and \$3.4 million, respectively, which primarily relate to our net deferred tax assets, and increased the provision for income taxes in our Consolidated Statements of Income for the years ended December 31, 2019 and 2018. The Company’s deferred tax asset is fully reserved as of December 31, 2019.

Evaluating the value of these assets is necessarily based on the Company’s judgment. If the Company subsequently determined that the deferred tax assets, which have been written down, would be realized in the future, the value of the deferred tax assets would be increased, thereby increasing net income in the period when that determination was made.

The Company prescribes a recognition threshold and a measurement attributable for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized.

The Company identified and reviewed potential tax uncertainties and determined that the exposure to those uncertainties did not have a material impact on the Company’s results of operations or financial condition as of December 31, 2019 and 2018.

If the Company’s future performance continues to generate operating losses, the Company may lose all or a portion of its NOLs if it’s unable to return to profitability prior to the expiration of the NOLs.

*Fair Value Measurements*

The Company uses various inputs in determining the fair value of its investments and measures these assets on a recurring basis. Financial assets recorded at fair value in the consolidated balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. Authoritative guidance provided by ASC Topic 820 - *Fair Value Measurements and Disclosure* defines the following levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these financial assets:

- Level 1—Quoted prices in active markets for identical assets or liabilities;
- Level 2—Inputs, other than the quoted prices in active markets, that is observable either directly or indirectly; and

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Level 3—Unobservable inputs based on the Company’s assumptions.

The Company is required to use observable market data if such data is available without undue cost and effort. At December 31, 2019 and 2018, the fair value of cash, prepaid expense and accounts payable approximate their fair values due to their short term nature. Notes payable approximates their fair value based on their effective interest rates.

*Equity Investment*

The Company invested in equity securities of a private company to promote its business and strategic objectives (see Note 4). Equity method investments are equity securities in investees the Company does not control but over which the Company has the ability to exercise significant influence. Equity method investments are measured at cost minus impairment, if any, plus or minus the Company’s share of equity method investee income or loss.

Equity investments are subject to periodic impairment reviews. The Company periodic impairment analysis considers both qualitative and quantitative factors that may have a significant impact on the investee's fair value. Qualitative factors considered include the investee's financial condition and business outlook, industry and sector performance, market for technology, operational and financing cash flow activities, and other relevant events and factors affecting the investee. When indicators of impairment exist, the Company prepares quantitative assessments of the fair value of our equity investments using both the market and income approaches, which require judgment and the use of estimates, including discount rates, investee revenue and costs, and comparable market data of private and public companies, among others.

*Leases*

Prior to January 1, 2019, the Company accounted for leases under ASC 840, Accounting for Leases. Effective January 1, 2019, the Company adopted the guidance of ASC 842, Leases (“ASC 842”), which requires an entity to recognize a right-of-use asset and a lease liability for certain leases. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company adopted ASC 842 using a modified retrospective approach. As a result, the comparative financial information has not been updated and the required disclosures prior to the date of adoption have not been updated and continue to be reported under the accounting standards in effect for those periods. The adoption of ASC 842 on January 1, 2019, resulted in the recognition of operating lease right-of-use assets of \$1.9 million and corresponding lease liabilities of approximately the same amount. There was no cumulative-effect adjustment to accumulated deficit.

*Basic and Diluted Income per Share*

Basic net loss per share is computed by using the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed giving effect to all dilutive potential shares of Common Stock that were outstanding during the period. Dilutive potential shares of Common Stock consist of incremental shares of Common Stock issuable upon exercise of stock options. No dilutive potential shares of Common Stock were included in the computation of diluted net loss per share because their impact was anti-dilutive. As of December 31, 2019, and 2018, the Company had total outstanding options of 969,000 and 2,535,667, respectively, and warrants of 747,059 and 747,059, respectively, which were excluded from the computation of net loss per share because they are anti-dilutive.

*Accounting Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include assumptions made in evaluating the realization of the Company’s deferred tax assets, the impairment analysis of goodwill and intangible assets, potential liabilities and the assumptions made in valuing stock instruments issued for services.

*Advertising Costs*

Advertising costs are charged to operations as part of selling, general and administrative expenses at the time the costs are incurred. Advertising costs for the years ended December 31, 2019 and 2018 were \$357,000 and \$755,000, respectively.

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*Concentration of Credit Risk*

The Company maintains the majority of its cash balances with one financial institution, in the form of demand deposits. At December 31, 2019 and 2018, the Company had cash deposits that exceeded the federally insured limit of \$250,000. The Company believes that no significant concentration of credit risk exists with respect to these cash balances because of its assessment of the creditworthiness and financial viability of the financial institution.

*Recent Accounting Pronouncements*

In June 2016, the FASB issued ASU No. 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments ("ASC 326"). The standard significantly changes how entities will measure credit losses for most financial assets, including accounts and notes receivables. The standard will replace today's "incurred loss" approach with an "expected loss" model, under which companies will recognize allowances based on expected rather than incurred losses. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. As a small business filer, the standard will be effective for us for interim and annual reporting periods beginning after December 15, 2022. The Company is currently assessing the impact of adopting this standard on the Company's financial statements and related disclosures.

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

**3. Property and Equipment**

The table below displays the Company's property and equipment balances as of December 31, 2019 and 2018, respectively.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Office equipment and furniture	\$ 3,674,000	\$ 3,656,000
Leasehold improvements	<u>385,000</u>	<u>358,000</u>
Total property and equipment	4,059,000	4,014,000
Less accumulated depreciation	<u>(3,936,000)</u>	<u>(3,828,000)</u>
Total property and equipment, net	<u>\$ 123,000</u>	<u>\$ 186,000</u>

Depreciation expense was \$108,000 and \$133,000 for the years ended December 31, 2019 and 2018, respectively.

**4. Equity Investment**

Effective on June 27, 2019, the Company co-founded with Reservations Gateway, Inc. ("RG") TixRez LLC ("TixRez"), a company to provide online booking of activities throughout the world, driven by proprietary software. "Activities" includes shows, concerts, tours, attractions, and other entertainment and leisure opportunities. As of December 31, 2019, Tix and RG owned 21% and 79%, respectively, of TixRez's issued capital stock and each of the Company and RG maintained equal representation on TixRez Board of Managers (the "Board").

As contribution for their respective interests, the parties agreed that the Company contribute to TixRez, a total of \$504,000, for use by TixRez solely as working capital and RG assigned to TixRez its intellectual property rights in the software to be used by TixRez. The Company had the right to reduce its contribution by up to \$210,000, and with it, its corresponding ownership of the venture. In such an event, RG would have had the option to purchase all of the Company's interest in TixRez at that time.

The Company has a multi-year option to purchase up to 30% more of TixRez from RG at the same relative value that the Company paid for its original interest, by payment of cash or, after January 1, 2020, shares of the Company's common stock valued at their then market price, or any combination of cash and shares.

The foregoing description of certain terms of the operating agreement of TixRez does not purport to be complete and is qualified in its entirety by reference to the full text of the operating agreement of TixRez.

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The table below displays the Company’s equity investment balances as of December 31, 2019 and December 31, 2018, respectively.

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Purchases of equity investment in TixRez	\$ 336,000	\$ -
Less proportional share of net loss	(71,000)	-
Less impairment	<u>(265,000)</u>	<u>-</u>
Equity investment, net	<u>\$ -</u>	<u>\$ -</u>

On December 31, 2019, the Company’s investment was measured on the equity method of accounting. As such, the Company’s initial investment of \$336,000, was reduced by the Company’s proportional share of TixRez net loss, which was \$71,000 during the year ended December 31, 2019. In addition, the Company determined that the recoverability of its remaining investment balance was uncertain, and therefore, recorded an impairment charge of \$265,000 at December 31, 2019.

**5. Leases Liability**

The Company leases office space for its corporate headquarters in Studio City, California. Tix4Tonight leases space for its multiple ticket facilities and its administrative offices in Las Vegas, Nevada. Many of the Company’s operating leases contain predetermined fixed increases in the minimum rental rate during the initial lease term and/or rent holiday periods. Some leases also contain provisions for additional rent based on sale levels.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company accounts for the lease and non-lease components of its leases as a single lease component. Rent expense is recognized on a straight-line basis over the lease term.

Operating lease right-of-use (“ROU”) assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Generally, the implicit rate of interest in arrangements is not readily determinable and the Company utilizes its incremental borrowing rate in determining the present value of lease payments. The Company’s incremental borrowing rate is a hypothetical rate based on its understanding of what its credit rating would be. The operating lease ROU asset includes any lease payments made and excludes lease incentives.

Prior to January 1, 2019, the Company accounted for leases under ASC 840, Accounting for Leases. Effective January 1, 2019, the Company adopted the guidance of ASC 842, Leases (“ASC 842”), which requires an entity to recognize a right-of-use asset and a lease liability for certain leases. The Company adopted ASC 842 using a modified retrospective approach. As a result, the comparative financial information has not been updated and the required disclosures prior to the date of adoption have not been updated and continue to be reported under the accounting standards in effect for those periods. The adoption of ASC 842 on January 1, 2019, resulted in the recognition of operating lease right-of-use assets of \$1.9 million and corresponding lease liabilities of approximately the same amount. There was no cumulative-effect adjustment to accumulated deficit.

The components of rent expense and supplemental cash flow information related to leases for the period are as follows:

	<u>Year Ended</u> <u>December 31, 2019</u>
<u>Lease Cost</u>	
Operating lease cost (included in operating expenses in the Company’s consolidated statement of operations)	\$ 2,104,000
<u>Other Information</u>	
Cash paid for amounts included in the measurement of lease liabilities	\$ -
Weighted average remaining lease term – operating leases (in years)	2.1
Average discount rate – operating leases	4.0 %

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The supplemental balance sheet information related to leases for the period is as follows:

	<b>At December 31, 2019</b>
<u>Operating leases</u>	
Long-term right-of-use assets, net of amortization of \$2,104,000	\$ 3,086,000
Short-term operating lease liabilities	\$ 1,601,000
Long-term operating lease liabilities	1,550,000
Total operating lease liabilities	\$ 3,151,000

Maturities of the Company's lease liabilities are as follows (in thousands):

<b>Year Ending</b>	<b>Operating Leases</b>
2020	\$ 1,697,000
2021	1,285,000
2022	263,000
2023	45,000
2024 and beyond	-
Total lease payments	3,290,000
Less: Imputed interest/present value discount	(139,000)
Present value of lease liabilities	\$ 3,151,000

Total lease expense, including leases with an initial term of 12 months or less, was \$2.8 million and \$3.0 million for the years ended December 31, 2019 and 2018, respectively.

## 6. Commitments and Contingencies

### *Employment Agreements*

On February 18, 2020, the Company entered into a new employment agreement, effective March 1, 2020, with its existing Chief Executive Officer, Mitch Francis. The new employment agreement with Mitch Francis, the Company's Chief Executive Officer (the "Francis Employment Agreement"), replaces his prior employment agreement expiring on February 28, 2020. The Francis Employment Agreement has a four-year term through February 28, 2024, and provides for the following:

1. An initial base salary to be \$495,000 per year, subject to annual increases based on the greater of three percent and the one year percentage increase in the Federal Cost of Living Index, Southern California District consumer price index, which in no event shall exceed ten percent.
2. An annual incentive bonus for each fiscal year ended December 31, which shall equal the product of consolidated free cash flow per share for that year based on the outstanding shares of the Company Common Stock as of December 31 for such year multiplied by one million five hundred thousand dollars (\$1,500,000). Consolidated free cash flow is calculated by subtracting the sum of non-cash extraordinary gains, to the extent such gains are reflected in net income (loss), cash, securities, assets or other property received in connection with or pursuant to any legal settlements entered into by the Company, to the extent such gains are reflected in net income (loss), asset disposition proceeds to the extent such gains are reflected in net income (loss), capital expenditures, minus any indebtedness incurred in connection with any such capital expenditures, scheduled principal payments on indebtedness of the Company and its consolidated entities during such period, other than in connection with a refinancing of such indebtedness or debt incurred in connection with repurchase of the Company's shares, and any gains minus any losses, in either case, in connection with the repurchase of any debt or equity of the Company or any of its consolidated entities, discontinued operations or inventory sales/obsolescence, from net income (loss), depreciation and amortization, federal and state income taxes, non-cash executive compensation, amortization of goodwill to the extent not reflected in depreciation and amortization and non-cash extraordinary losses.
3. On March 1, 2020, Mr. Francis shall be granted options to purchase an aggregate of 400,000 shares of the Company Common Stock at an exercise price of \$0.55 per share. 200,000 of the options shall vest and become exercisable on March 1, 2022, 100,000 of the options shall vest and become exercisable on March 1, 2023, and 100,000 of the options shall vest and become exercisable on February 28, 2024. The options shall expire ten years from the date of the grant.
4. The Company shall provide or reimburse Mr. Francis and his spouse for long-term care insurance premiums, certain life, disability and health insurance benefits, an automobile allowance, and other benefits.

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5. Mr. Francis is entitled to the following severance benefits under the Francis Employment Agreement. If Mr. Francis is terminated for any reason by the Company or resigns from the Company, Mr. Francis will be entitled to any base salary accrued but not yet paid (including accrued and unpaid vacation time) on or before the date Mr. Francis' employment terminates, any incentive bonus due but not paid on or before the date Mr. Francis' employment terminates for fiscal years ending on or before such date, plus any prorated incentive bonus due for the year in which the date Mr. Francis' employment terminates and certain reimbursements due to Mr. Francis under the Francis Employment Agreement. If Mr. Francis' employment is terminated by Mr. Francis resigning from the Company for any reason within six (6) months following a change in control of the Company or by the Company without "cause" (other than death and disability), Mr. Francis will also be entitled to a lump sum payment on the 30th day following the date Mr. Francis' employment terminates of an amount equal to the number of months remaining in the term of the Francis Employment Agreement multiplied by the sum of Mr. Francis' highest rate of annualized base salary in the preceding twelve months, divided by twelve, plus the amount of his largest annual cash bonus for any prior fiscal year, divided by twelve, the provision or reimbursement of certain long-term care premiums, life, disability, and health insurance benefits, automobile allowance, and other benefits for the remainder of the term of his agreement, a lump sum payment on the 30th day following the date Mr. Francis' employment terminates of an amount equal to three (3) times his highest rate of annualized base salary plus three (3) times his highest annual bonus from the Company at any time, immediate accelerated vesting of all of Mr. Francis' unvested stock options and other equity awards granted by the Company to Mr. Francis, and all legal fees and expenses incurred by Mr. Francis as a result of such termination.

Effective as of September 1, 2016, the Company entered into an Employment Agreement with Kimberly Simon, the Company's Chief Operating Officer (the "Simon Employment Agreement"). The Simon Employment Agreement has a five-year term through August 31, 2021 and provides for Ms. Simon to receive an annual base salary, and is subject to annual increases based on a federal cost of living index. Ms. Simon is entitled to receive an annual incentive bonus based upon the Company's annual consolidated free cash flow per share for such fiscal year. Ms. Simon was granted options to purchase shares of Common Stock (the "Simon Options"), with 50,000 Simon Options vesting and becoming exercisable on each anniversary date. The Company also provides Ms. Simon certain other benefits. The Simon Employment Agreement specify certain compensation and benefits payable to the executive in the event of a qualifying termination of employment in connection with a change of control of the Company. Pursuant to each employment agreement, upon the termination of the executive's employment by the Company or by the executive for any reason, the executive becomes entitled to all accrued obligations, including accrued but not paid base salary, incentive bonus and reimbursements. Upon termination of the executive's employment by the Company without cause at any time, or by the executive for any reason within the six-month period following the occurrence of a change of control of the Company, the executive will become entitled to additional severance payments and benefits, subject to his or her exercise of a release of claims, calculated in accordance with the relevant employment agreement.

*Retirement Plan*

The Company has a 401(k) retirement plan, which covers substantially all employees. Under the plan, participants may contribute up to 75% of pretax annual compensation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified plans. If an employee enrolls, a participant's minimum deferral is 1% of eligible compensation of the participant. Participants who have attained age 50 before the end of the year are eligible to make catch-up contributions. The Company contributes 100% of the first 3% of compensation and then 50% of the next 2% of compensation that a participant contributes to the Plan. Additional discretionary matching contributions may be contributed at the discretion of the Company's Board of Directors. Contributions are subject to certain limitations of the Internal Revenue Code. Total 401(k) retirement plan expense amounted to \$106,000 and \$107,000 for the years ended December 31, 2019 and 2018, respectively.

**7. Stockholders' Equity**

As of December 31, 2019, the Company has two stock-based compensation plans, which are described below.

*2009 Equity Incentive Plan*

On July 8, 2009, the 2009 Equity Incentive Plan (the "2009 Equity Plan") for officers, employees and consultants of the Company was approved pursuant to a Joint Written Consent of the Board of Directors and Majority Stockholders of the Company. The 2009 Equity Plan authorized the granting of not more than 3,000,000 restricted shares, stock appreciation rights ("SAR's"), and incentive and non-qualified stock options to purchase shares of the Company's common stock. The 2009 Equity Plan provided that stock options or SAR's granted can be exercisable immediately as of the effective date of the applicable agreement, or in accordance with a schedule or performance criteria as may be set in the applicable agreement. The exercise price for non-qualified stock options or SAR's would be the amount specified in the agreement, but shall not be less than the fair value of the Company's

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common stock at the date of the grant. The exercise price for incentive stock options cannot be less than the fair market value of the Company's common stock on the date of grant (110% of the fair market value of the Company's common stock on the date of grant for a stockholder owning in excess of 10% of the Company's common stock). The maximum term of options and SARs granted under the plan is ten years. As of December 31, 2019, no options to purchase shares of common stock remain reserved for issuance under the 2009 Equity Plan.

During the years ended December 31, 2019 and 2018, the Company did not issue any options to purchase shares of its common stock under the 2009 Equity Plan.

*Amended and Restated Directors Equity Incentive Plan (2004 Directors Option Plan)*

On March 3, 2005, the Company adopted the Directors Stock Option Plan (the "2004 Directors Option Plan") for non-employee directors of the Company. The 2004 Directors Option Plan was approved pursuant to a Joint Written Consent of the Board of Directors and Majority Stockholders of the Company dated September 22, 2004. The 2004 Directors Option Plan authorized the granting of non-qualified stock options to purchase an aggregate of not more than 100,000 shares of the Company's common stock. The 2004 Directors Option Plan provided that options granted would be exercisable for a period not to exceed ten years and would vest on a cumulative basis as to one-third of the total number of shares covered thereby at any time after one year from the date the option was granted and an additional one-third of such total number of shares at any time after the end of each consecutive one-year period thereafter until the option had become exercisable as to all of such total number of shares. The exercise price for non-qualified stock options would be the fair value of the Company's common stock at the date of the grant. No option may be exercised during the first six months of its term except in the case of death. On May 30, 2007, an amendment to the 2004 Directors Option Plan was approved through a Corporate Resolution by the Company's Board of Directors, and adjusts the vesting period of options granted from vesting one-third annually over three years to vesting immediately. On July 8, 2009, an additional amendment to the 2004 Directors Option Plan ("The Amendment") was approved pursuant to a Joint Written Consent of the Board of Directors and Majority Stockholders of the Company. The Amendment increased the authorized amount of option grants to purchase shares of the Company's common stock to 1,000,000.

On March 10, 2014, the Company amended and restated the 2004 Directors Option Plan and renamed it the "Amended and Restated Directors Equity Incentive Plan" (the "Directors Plan"). Awards under the Directors Plan may be made only to members of the Board of Directors who are not employees of the Company or any of its affiliates. The Directors Plan authorizes the issuance of not more than 1,000,000 shares of the Company's common stock pursuant to awards of restricted shares, SAR's, and non-qualified stock options. The Directors Plan provides that stock options or SAR's granted can be exercisable immediately as of the effective date of the applicable agreement, or in accordance with a schedule or performance criteria as may be set in the applicable agreement. The exercise price for stock options or SAR's would be the amount specified in the agreement, but would not be less than the fair value of the common stock at the date of the grant. The maximum term of options and SARs granted under the plan is 10 years. As of December 31, 2019, options to purchase 743,889 shares of common stock remain reserved for issuance under the Directors Plan.

During the years ended December 31, 2019 and 2018, the Company did not issue any options to purchase shares of its common stock under the Directors Plan.

*Summary of Stock Options*

A summary of the combined stock options for the years ended December 31, 2019 and 2018, for the two plans discussed above, is as follows:

	<b>Number Of Options</b>	<b>Weighted Average Exercise Price</b>
Balance outstanding, December 31, 2017	2,577,334	1.34
Options granted	-	-
Options exercised	-	-
Options expired or forfeited	(41,667)	1.25
Balance outstanding, December 31, 2018	2,535,667	1.37
Options granted	-	-
Options exercised	-	-

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Options expired or forfeited	(1,566,667)		1.26
Balance outstanding, December 31, 2019	969,000	\$	1.54
Balance exercisable, December 31, 2019	769,000	\$	1.53

Information relating to outstanding stock options at December 31, 2019, summarized by exercise price, is as follows:

Exercise Price Per Share	Outstanding			Exercisable	
	Shares	Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$1.00 - \$1.99	840,000	5.21	\$ 1.44	640,000	\$ 1.40
\$2.00 - \$2.99	129,000	6.23	\$ 2.19	129,000	\$ 2.19
	969,000	5.35	\$ 1.54	769,000	\$ 1.53

The Company recorded compensation expense, relating to the vesting of these options, pursuant to authoritative guidance provided by ASC Topic 718 – *Stock Compensation* for the years ended December 31, 2019 and 2018 of \$86,000 and \$110,000, respectively. As of December 31, 2019, the Company has outstanding unvested options with future compensation costs of \$175,000, which will be recorded as compensation cost as the options vest over their remaining average vesting period of 1.18 years.

As of December 31, 2019 and 2018, both the outstanding options and exercisable options had no intrinsic value.

*Summary of Warrants*

A summary of warrant activity for the years ended December 31, 2019 and 2018 is as follows:

	Number of Warrants		Weights Average Exercise Price
Balance outstanding, December 31, 2017	747,059	\$	1.33
Warrants granted	-		-
Warrants exercised	-		-
Warrants expired	-		-
Balance outstanding, December 31, 2018	747,059		1.33
Warrants granted	-		-
Warrants exercised	-		-
Warrants expired	-		-
Balance outstanding, December 31, 2019	747,059	\$	1.33
Balance exercisable, December 31, 2019	747,059	\$	1.33

Information relating to outstanding warrants at December 31, 2019, summarized by exercise price, is as follows:

Exercise Price Per Share	Outstanding			Exercisable	
	Shares	Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$1.20 - \$1.85	747,059	1.16	\$ 1.33	747,059	\$ 1.33

As of December 31, 2019 and 2018, all outstanding warrants are vested and exercisable and had no intrinsic value.

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**8. Income Taxes**

The Company's tax provision for 2019 and 2018 related to deferred tax charges. During the year ended December 31, 2019 and 2018, the Company evaluated its NOLs and determined that it is more likely than not that a portion of the net deferred tax assets will not be realized. As such, we recorded a reduction in the value of these assets as discussed below.

A reconciliation of the statutory U.S. federal rate and effective rates is as follows:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Federal current tax	\$ (148,000)	\$ (913,000)
State current tax	1,000	1,000
Stock compensation expense and depreciation	-	51,000
Impairment of Goodwill	-	655,000
Federal deferred tax	1,653,000	3,435,000
Provision for income taxes	\$ 1,504,000	\$ 3,229,000

Our deferred tax assets are comprised of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Deferred Tax Assets:</b>		
Net operating losses	\$ 5,951,000	\$ 5,589,000
Other	588,000	1,040,000
Total	6,539,000	6,629,000
Valuation allowance	(6,539,000)	(4,976,000)
<b>Net Deferred Tax Asset</b>	\$ -	\$ 1,653,000

At December 31, 2019, the Company estimates it had federal net operating loss carry forwards ("NOLs") of approximately \$28.3 million, which are subject to certain limitations, which begin expiring in 2019 through 2032 in varying amounts. However, NOLs originating in 2019 and 2020 can be carried forward indefinitely.

Authoritative guidance issued by ASC Topic 740 – *Income Taxes* requires that a valuation allowance be established when it is more likely than not that all or a portion of deferred tax assets will not be realized. Based on a study performed by an outside third party during the third quarter of 2011 and due to the restrictions imposed by Internal Revenue Code Section 382 regarding substantial changes in ownership of companies with loss carry forwards, the utilization of the Company's NOL is limited to \$1.9 million per year as a result of recent cumulative changes in stock ownership. NOL's of \$24.9 million, which were incurred subsequent to the latest change in control, are not subject to the \$1.9 million per year limitation.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJ Act") was enacted into law. The TCJ Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended (the "Code"), that impact corporate taxation requirements, such as the reduction of the federal tax rate for corporations from 35% to 21% and changes limitations to certain tax deductions. Included in the TCJ Act was the repeal of the Alternative Minimum Tax (AMT) effective for tax years beginning after 2017. Along with the repeal of the AMT, the TCJ Act allows for refunds of outstanding AMT credit carryforwards that existed as of December 31, 2017. AMT credits remaining after utilization against current year tax liability are refundable at a 50 percent rate in taxable years 2018 to 2020 with any remaining unused credits being fully refundable in 2021. The Company will receive its remaining refund of \$75,000 in 2020.

The Company considers all evidence available when determining whether deferred tax assets are more likely than not to be realized, including projected future taxable income, scheduled reversals of deferred tax liabilities, prudent tax planning strategies, and recent financial operations. The evaluation of this evidence requires significant judgement about whether the forecast of

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future taxable income is consistent with the plans and estimates the Company is using to manage the underlying business. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income.

During the year ended December 31, 2019 and 2018, the Company evaluated its NOLs and determined that it is more likely than not that a portion of the net deferred tax assets will not be realized. As such, we recorded a reduction in the value of these assets of approximately \$1.7 million and 3.4 million, which primarily relate to our net deferred tax assets, and increased the provision for income taxes in our Consolidated Statements of Income for the year ended December 31, 2019 and 2018, respectively.

The Company files consolidated income tax returns in the U.S. federal jurisdiction, and in California. With limited exception including their NOL, the Company is no longer subject to U.S. federal, state and local examinations, by tax authorities for years before 2016. The Company does not currently have any open examinations, nor have we been notified of a pending examination.

## **9. Legal Proceedings**

The Company is engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of its business. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of the Company or its subsidiary, threatened against the Company, its common stock, its subsidiary or of the Company or its subsidiary's officers or directors in their capacities as such.

## **10. Related Party Transactions**

In January 2011, the Company acquired Tix4Less, a subsidiary of Vegas.com. The Company assumed the Showcase Mall booth lease, including the monthly payment to Bekam Development LLC. Barry Fieldman, our director effective December 16, 2019, serves as the President of Bekam Development, LLC, the master developer and owner for a 29-acre commercial subdivision in Las Vegas. The Company paid Bekam Development \$144,000 for both years ended December 31, 2019 and 2018, as required under the assumed lease agreement.

## **11. Settlement Agreement**

On October 4, 2019, we entered into the Settlement Agreement with the HSB Group to settle the proxy contest pertaining to the election of directors at our 2019 annual meeting. Pursuant to the Settlement Agreement, four incumbent directors, Andrew Pells, Steven Zelinger, Aaron Bregman and Mesfin Eyob, resigned and were replaced by three HSB Group designees, namely, Haren Bhakta, Michael Fisk and Jeremy Weiner. Also, pursuant to the terms of the Settlement Agreement, (i) Norman Feirstein was appointed as the Chairman of the Board, (ii) Haren Bhakta was appointed as a member of the Compensation Committee, the Audit Committee and the Nomination and Governance Committee, (iii) we agreed to include Haren Bhakta, Michael Fisk and Jeremy Weiner as nominees for election to the Board on the slate of nominees in our proxy statement and on our proxy card relating to our 2020 annual meeting, (iv) the HSB Group is subject to certain standstill restrictions during the Standstill Period, and during the Standstill Period, the HSB Group must vote or consent in favor of each of the directors nominated by the Board and recommended by the Board in the election of directors and against any stockholder proposal to remove any such members of the Board, (v) the HSB Group was granted an exemption under the Rights Agreement to acquire beneficial ownership of up to 6.9% of our then-outstanding Common Stock, such that the HSB Group is not deemed to be an Acquiring Person unless and until they become the beneficial owner of shares of Common Stock in excess of 6.9% of our then-outstanding Common Stock, and (vi) the Company and the HSB Group agreed to a mutual release of claims related to the proxy contest.

Furthermore, in connection with the Settlement Agreement, the Board approved an amendment to our bylaws to: (i) provide as a qualification for service as a director on our Board, a natural person shall, subject to certain exceptions, purchase, of record or beneficially, at least 25,000 shares of our Common Stock, either at the time such person is first elected or appointed to the Board, or within one year of such election or appointment, and for each subsequent year each non-management director is re-elected to the Board, such director must acquire, within twelve months thereof, an additional 25,000 shares of Common Stock, until such director acquires 100,000 shares of our common stock; (ii) fix the number of directors which shall constitute the whole Board at seven (7); (iii) provide that any director may call a meeting of the Board and propose agenda items therefor; (iv) provide that the Chairman of the Board must be a non-management director elected by a majority of the whole Board; and (v) provide that until the conclusion of the Standstill Period, our bylaws and the resolutions adopted by the Board on October 4, 2019 may not be amended by the Board without the affirmative vote of at least 66% of the whole Board. The foregoing description of the amendments to our bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of our bylaws, a copy of which is available at [www.tixcorp.com](http://www.tixcorp.com).

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**12. Subsequent Events**

The Company has evaluated subsequent events occurring from January 1, 2019 through March 19, 2020, the date the financial statements were issued.

On February 18, 2020, the Company entered into a new employment agreement, effective March 1, 2020, with its existing Chief Executive Officer, Mitch Francis (see Note 6).

Our Tix4Tonight business is located in Las Vegas where we sell shows, attractions, tours and dining from our nine ticket booths that are strategically located on the Strip. Due to efforts to mitigate the impact of COVID-19, virtually all Las Vegas entertainment, restaurants, bars, and major hotel properties such as Wynn Resorts and MGM Resorts International have closed. With the closure of entertainment on the Las Vegas Strip, and therefore the cessation of revenue for our business, starting March 16, 2020, we effected a layoff of the majority of our employees, closed our ticket booths, and continue to significantly reduce our operating costs. We will continually monitor the Las Vegas marketplace to determine when and if we will be able to commence operations again. We intend to seek available disaster assistance, as well as forms of financing to help with liquidity during this disruption to our business.