Annual Financial Statements
For the years ending December 31, 2020 and 2019

TIX CORPORATION AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Tix Corporation
Las Vegas, Nevada

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, 2020 and 2019 and the related consolidated statements of operations, changes in stockholders' equity (deficit), 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.

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 was significantly affected by the COVID-19 pandemic and experienced a net loss and utilized cash from operations during the year ended December 31, 2020, and has a stockholders' deficit at December 31, 2020. In addition, the Company is significantly past due on certain of its lease obligations. 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.

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, 2020 and 2019, 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.

Weinberg & Company
Weinberg & Company, P.A.
Los Angeles, California
March 23, 2021

TIX CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash	$ 311,000	$ 2,251,000
Prepaid expenses and other current assets	22,000	212,000
Total current assets	333,000	2,463,000
Property and equipment, net	53,000	123,000
Right of use asset, net	2,849,000	3,086,000
Other assets:		
Equity investment	-	-
Deposits and other assets	38,000	487,000
Total other assets	38,000	487,000
Total assets	$ 3,273,000	$ 6,159,000
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable – shows and events	$ -	$ 267,000
Accounts payable and accrued expenses	961,000	487,000
Lease termination obligation, current portion	20,000	-
Leases payable, current portion	1,605,000	1,601,000
Notes payable, current portion	10,000	-
Deferred revenue	-	42,000
Total current liabilities	2,596,000	2,397,000
Lease termination obligation, net of current portion	40,000	-
Leases payable, net of current portion	1,962,000	1,550,000
Notes payable, net of current portion	1,120,000	-
Total liabilities	5,718,000	3,947,000
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, $.01 par value; 500,000 shares authorized; none issued		
Common stock, $.08 par value; 100,000,000 shares authorized; 17,387,175 and 17,342,175 shares issued and outstanding, net of 16,649,814 and 16,644,814 treasury shares issued and outstanding at December 31, 2020 and 2019, respectively	2,724,000	2,720,000
Additional paid-in capital	95,257,000	95,199,000
Treasury stock at cost	(28,167,000)	(28,164,000)
Accumulated deficit	(72,259,000)	(67,543,000)
Total stockholders' equity (deficit)	(2,445,000)	2,212,000
Total liabilities and stockholders' equity (deficit)	$ 3,273,000	$ 6,159,000

See accompanying notes to the consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	Years Ended December 31,	
	2020	**2019**
Revenues	$ 1,957,000	$ 12,746,000
Operating expenses:		
Direct costs of revenues	4,048,000	8,069,000
Selling, general and administrative expenses	2,461,000	5,706,000
Depreciation	71,000	108,000
Total costs and expenses	6,580,000	13,883,000
Operating loss	(4,623,000)	(1,137,000)
Loss on equity investment	(84,000)	(336,000)
Other income (expense)	(9,000)	4,000
Loss before provision for income tax expense	(4,716,000)	(1,469,000)
Provision for income tax expense	-	(1,504,000)
Net loss	$ (4,716,000)	$ (2,973,000)
Net loss per common share – basic and diluted	$ (0.27)	$ (0.17)
Weighted average common shares outstanding – basic and diluted	17,337,353	17,342,175

See accompanying notes to the consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2020 AND 2019

	Common stock Shares	Common stock Amount	Additional Paid In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, December 31, 2018	17,342,175	$ 2,720,000	$ 95,113,000	$ (28,164,000)	$ (64,570,000)	$ 5,099,000
Stock-based compensation	-	-	86,000	-	-	86,000
Net loss	-	-	-	-	(2,973,000)	(2,973,000)
Balance, December 31, 2019	17,342,175	2,720,000	95,199,000	(28,164,000)	(67,543,000)	2,212,000
Common shares issued for cash	50,000	4,000	4,000	-	-	8,000
Purchase of treasury shares	(5,000)	-	-	(3,000)	-	(3,000)
Stock-based compensation	-	-	54,000	-	-	54,000
Net loss	-	-	-	-	(4,716,000)	(4,716,000)
Balance, December 31, 2020	17,387,175	$ 2,724,000	$ 95,257,000	$ (28,167,000)	$ (72,259,000)	$ (2,445,000)

See accompanying notes to the consolidated financial statements.

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

	Years Ended December 31,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (4,716,000)	$ (2,973,000)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	70,000	108,000
Amortization of right of use asset	1,385,000	2,104,000
Change in lease liability	(672,000)	(2,114,000)
Loss on equity investment	84,000	336,000
Change in deferred tax assets valuation allowance	-	1,653,000
Stock-based compensation	54,000	86,000
(Increase) decrease in:		
Prepaid expenses and other assets	639,000	(103,000)
Increase (decrease) in:		
Accounts payable – shows and events	(267,000)	(393,000)
Accounts payable and accrued expenses	474,000	75,000
Deferred revenue	(42,000)	(17,000)
Net cash used in operating activities	(2,991,000)	(1,238,000)
Cash flows from investing activities:		
Purchase of property and equipment	-	(45,000)
Purchases of equity investment	(84,000)	(336,000)
Net cash used in investing activities	(84,000)	(381,000)
Cash flows from financing activities:		
Proceeds from notes payable	1,130,000	-
Proceeds from the sale of common stock	8,000	
Purchase of treasury shares	(3,000)	
Net cash used in financing activities	1,135,000	-
Net decrease	(1,940,000)	(1,619,000)
Balance at beginning of period	2,251,000	3,870,000
Balance at end of period	$ 311,000	$ 2,251,000
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	$ -	$ 1,921,000
Reclass of deferred rent to right of use asset	$ -	75,000
Reclass of lease liability to lease termination obligation	$ 60,000	-
Recording of new or modified right of use asset and lease liability	$ 1,148,000	$ 3,269,000

See accompanying notes to the consolidated financial statements.

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 wholly-owned subsidiary Tix4Tonight, LLC ("Tix4Tonight").

The below describes Tix4Tonight's business and operations when they were conducted in the ordinary course but, as described herein, no such business or operations are currently being or have recently been conducted and Tix4Tonight may or may not resume such business and operations in the future. 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 sells to customers. Revenues are recorded at net of cost, that is, we record only the commissions and service fees as revenues.

On October 19, 2020, the Company announced it commenced a review of its strategic alternatives, including a potential sale of the Company. The review was led by a special committee of the Board of Directors to which the Board delegated authority and power to conduct such process. On February 9, 2021, the Company announced that it has entered into a binding letter agreement with its Chief Executive Officer and significant stockholder of the Company, Mitch Francis (the "Letter Agreement"), and that it concluded its previously announced strategic review process.

The material terms of the Letter agreement between the Company and Mr. Francis are as follows:

- Mr. Francis has purchased 6,250,000 shares of the Company's common stock for $500,000, or $0.08 per share and, following such purchase owns directly and beneficially a total of 10,588,530 shares of the Company's common stock par value $0.08 (the "Common Stock") which represent 44.8% of the outstanding shares of the Company's common stock.
- Mr. Francis has provided the Company with an option to call up to an additional $200,000 in funding at any time during the next twenty-four months from the date of the Letter Agreement if the Board determines that he funds are necessary to maintain the Company's viability. The Company's option includes the discretion to accept the funding in the form of debt (a three-year loan at 6% interest only) or equity (issuance of additional shares of Common Stock at $0.08 per share).
- Mr. Francis has agreed to commence a tender offer with respect to and possibly acquire at least one-third of all outstanding shares of the Company at $0.08 per share within 45 days of the date of the Letter Agreement. On March 4, 2021, the Board of Directors approved an extension of Mr. Francis' obligation to possibly acquire at least one-third of all outstanding shares of the Company to within 75 days from the date of the Letter Agreement, in order for Mr. Francis to explore the possibility of, including obtaining financing for, acquiring all of the outstanding shares of the Company. Mr. Francis has agreed to pay all costs and expenses of the tender offer.
- Mr. Francis agreed to waive his salary and all benefits through May 2021. From June through December 2021, Mr. Francis' annual salary level will be reduced to $100,000 with no paid benefits. Mr. Francis has agreed to waive all unpaid salary and benefits to date.

Going Concern

The accompanying condensed 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, 2020, the Company was significantly impacted by the COVID-19 pandemic and incurred a net loss of $4.7 million, and used cash in operations of $3.0 million, and had a stockholders' deficit of $2.4 million on December 31, 2020. In addition, on December 31, 2020, the Company is past due on its lease payment of approximately $1.1 million (see Note 6). 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 may depend upon the Company's ability to resume operations, raise additional funds and/or 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, 2020, the Company had cash on hand of $311,000. Beginning in April 2020, and due to the impact on our business related to COVID-19, the Company has not made the majority of its lease payments and is in default on several of its operating leases (see Note 6). Based on current year performance-to-date, for which our revenues have declined more than our cost reductions, management estimates that the current funds on hand will be sufficient to continue operations through April 30, 2021. Our Tix4Tonight business is located in Las Vegas, where, when we conducted business in the ordinary course which we have not done since mid-March 2020 we used to sell shows, attractions, tours, and dining from our seven 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 temporarily 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. Most hotel properties have recently reopened under severe limitations and reduced activities and some shows, attractions and dining have recently opened with extreme limitations on their capacities and operations. Shows are currently permitted to open with the lesser of 50% occupancy or 250 customers, along with a pre-approved COVID-19 prevention plan. The Company is addressing each property's COVID-19 ticket sales protocols, coupled with their timing and availability of ticket inventory. We are continually monitoring the Las Vegas entertainment marketplace to determine when and if we will be able to commence viable operations again. We intend to seek available disaster assistance, such as the $1,130,000 we recently received (see Note 7), as well as other forms of financing to help with liquidity during this disruption to our business.

The continuation of the Company as a going concern will depend upon its ability to return to profitable operations or 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 and control consequences for our stockholders, in case or equity financing.

2. Summary of Significant Accounting Policies

Revenue Recognition

When we conduct our business and operations in the ordinary course, which currently and during the reported period we are not (as provided herein) 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 the date of purchase. For the Vegas Dining Card, we recognize as revenue solely the transaction fees earned at the time of sale.

The Company accounts for revenue in accordance with 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.

Revenue Concentrations

During the years ended December 31, 2020 and 2019, Cirque du Soleil ("Cirque) and MGM Resorts International ("MGM Resorts") were partners on six shows, which together represented approximately 14% and 14% 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.

In February 2021, the Company was notified by MGM Resorts of its intention to cease operating their discount ticket booths, and to lease their booths to a third-party timeshare sales operation. If MGM Resorts changes its plans, 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, 2020 and 2019.

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 ("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 received its remaining refund of $75,000 in 2020.

During the year ended December 31, 2019, 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, 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. The Company's deferred tax asset is fully reserved as of December 31, 2020.

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, 2020 and 2019.

If the Company's future performance continues to generate operating losses, the Company may lose all or a portion of its NOLs if it is 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
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, 2020 and 2019, 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.

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, 2020, and 2019, the Company had total outstanding options of 879,000 and 969,000, respectively, and warrants of 547,059 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 right of use and other long term 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, 2020 and 2019 were $78,000 and $357,000, respectively.

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, 2020 and 2019, 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, 2020 and 2019, respectively.

		December 31, 2020		December 31, 2019
Office equipment and furniture	$	2,291,000	$	3,674,000
Leasehold improvements		91,000		385,000

Total property and equipment		2,382,000		4,059,000
Less accumulated depreciation		(2,329,000)		(3,936,000)
Total property and equipment, net	$	53,000	$	123,000

Depreciation expense was $70,000 and $108,000 for the years ended December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, the Company removed fully depreciated property and equipment of approximately $1.7 million, which had a zero net book value.

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. Due to the significant negative travel and tourism impacts of COVID-19 on Activities, TixRez suspended its operations and continues to monitor the Activities marketplace to determine when and if it will be able to commence operations again.

As of December 31, 2020, 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. As of December 31, 2020, the Company has contributed $420,000 to TixRez. The Company had the right, which it had not elected, 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 table below displays the Company's equity investment balances as of December 31, 2020 and December 31, 2019, respectively.

		December 31, 2020		December 31, 2019
Purchases of equity investment in TixRez	$	420,000	$	336,000
Less proportional share of net loss		(89,000)		(71,000)
Less impairment		(331,000)		(265,000)
Equity investment, net	$	-	$	-

On December 31, 2020, the Company's investment was measured on the equity method of accounting. As such, the Company's additional investment of $84,000 during the year ended December 31, 2020, was reduced by the Company's proportional share of TixRez net loss, which was $18,000 during the year ended December 31, 2020. In addition, the Company determined that the recoverability of its remaining investment balance was uncertain, and therefore, recorded an impairment charge of $66,000 during the year ended December 31, 2020.

During the year ended December 31, 2019, 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. Lease Termination Obligation

In July 2020, the Company entered into a lease termination agreement ("Agreement") with a landlord. At the date of the Agreement, the Company was in default of its operating lease agreement and owed past due lease payments of approximately $84,000. The lease term was scheduled to expire on November 30, 2020. The landlord agreed to terminate the lease in exchange for a termination payment of $80,000, for which $20,000 was paid by the Company on the date of the execution of the Agreement, and the remaining $60,000 were to be paid in annual installments of $20,000 on August 1, 2021, 2022, and 2023. As of December

31, 2020, the Company's obligation under the Agreement was $60,000, of which $20,000 were recorded as the current portion of the lease termination obligation.

6. Leases Liability

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. Leases with an initial term of 12 months or less are not recorded on the balance sheet. 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.

At December 31, 2019, ROU assets, net of amortization, was $3.1 million. During the year ended December 31, 2020, the Company recognized operating lease ROU assets and lease liabilities of $1.1 million related to modified leases discussed below and reflected amortization of the ROU assets of $1.4 million related to operating leases, resulting in an ROU asset balance of approximately $2.8 million as of December 31, 2020.

As of December 31, 2019, liabilities recorded under operating leases were $3.2 million. During the year ended December 31, 2020, the Company added $1.1 million in lease liabilities related to modified operating lease, reclassified $60,000 to a lease termination obligation (see Note 5), and made payments of $672,000 towards its operating lease liability. As of December 31, 2020, liabilities under operating leases amounted to $3.6 million, of which $1.6 million were reflected as current due. At December 31, 2020, the Company was past due on its payments of lease liabilities of $360,000, which is included in the current portion of leases payable on the consolidated balance sheet.

As discussed in Note 1, due to efforts to mitigate the impact of COVID-19, which has severely impacted entertainment in Las Vegas, we effected a layoff of the majority of our employees and closed our ticket booths. During the year ended December 31, 2020, the Company modified two of its booth leases. The modification of lease contracts requires careful consideration of the guidance in the FASB's Accounting Standards Codification (ASC) Topic 842, Leases, to determine whether a modification results in a new lease or the continuation of the existing lease. During the year ended December 31, 2020, the Company determined that two amended leases were a continuation of the existing lease. The first amended operating lease was amended to replace the minimum monthly lease payment of $22,817 for the period April 1, 2020 to December 31, 2020, with a monthly lease payment of $4.00 per each ticked sold. After December 31, 2020, the minimum monthly lease payment resumed. The Company accounted for the modification under the guidance of ASC Topic 842 by reducing its ROU asset and lease liability by approximately $202,000. The second amended operating lease extended the original lease term by 36 months, partially deferred the monthly fixed minimum rent for July through December 2020, with repayment of the partially deferred fixed minimum rent over forty-eight (48) monthly installments beginning on April 1, 2021 and ending on March 1, 2025. The Company accounted for the modification under the guidance of ASC Topic 842 and increased its ROU asset and lease liability by approximately $1.3 million.

As of December 31, 2020, the weighted average remaining lease terms for operating lease are 3.15 years, and the weighted average discount rate for operating leases is 4.0%.

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

	Year Ended December 31, 2020	
<u>Lease Cost</u>		
Operating lease cost (included in operating expenses in the Company's consolidated statement of operations)	$	1,385,000
<u>Other Information</u>		
Cash paid for amounts included in the measurement of lease liabilities	$	-
Weighted average remaining lease term – operating leases (in years)		3.15
Average discount rate – operating leases		4.0%

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

Operating leases		At December 31, 2020
Long-term right-of-use assets	$	2,849,000
Short-term operating lease liabilities		1,605,000
Long-term operating lease liabilities		1,962,000
Total operating lease liabilities		3,567,000

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

Year Ending		Operating Leases
2021	$	1,725,000
2022		685,000
2023		598,000
2024		553,000
2025 and beyond		246,000
Total lease payments		3,807,000
Less: Imputed interest/present value		(240,000)
Total operating lease liabilities	$	3,567,000

Total lease expense, including leases with an initial term of 12 months or less, was $2.4 million and $2.8 million for the years ended December 31, 2020 and 2019, respectively. On December 31, 2020, accounts payable and accrued expenses on the consolidated balance sheet include approximately $702,000 of past due lease payments related to leases with an initial term of 12 months or less.

7. Notes Payable

The table below displays the Company's notes payable balances as of December 31, 2020 and December 31, 2019, respectively.

		December 31, 2020		December 31, 2019
Paycheck Protection Program (PPP) Loan (a)	$	980,000	$	-
Economic Injury Disaster Loan (b)		150,000		-
Total Loan Balance	$	1,130,000	$	-
Less: Short Term Balance		(10,000)		-
Long Term Balance		1,120,000		-

(a) On April 20, 2020, the Company was granted a loan (the "PPP loan") from JP Morgan Chase in the aggregate amount of $980,000, pursuant to the Paycheck Protection Program (the "PPP") under the CARES Act.

The PPP loan agreement is dated April 20, 2020, matures on April 20, 2022, bears interest at a rate of 1% per annum, is unsecured and guaranteed by the U.S. Small Business Administration (SBA). The loan term may be extended to April 20, 2025, if mutually agreed to by the Company and lender. The PPP loan is payable monthly commencing 10 months after the end of the covered period, which was approximately October 20, 2020. In accordance with the PPP Flexibility Act passed in June 2020, if the Company applies for loan forgiveness within 10 months after the end of the covered period, then no payments are due until the SBA remits payment of a forgiveness amount or determines that no forgiveness is authorized. If the Company does not submit a request for forgiveness within 10 months after the end of the covered period, the Company will begin making payments on the PPP loan.

We applied ASC 470, Debt, to account for the PPP loan. The PPP loan may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the PPP loan may only be used for qualifying expenses as described in the CARES Act, including qualifying payroll costs, qualifying group health care benefits, qualifying rent and debt obligations, and qualifying utilities. The Company intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses. The Company intends to apply for forgiveness of the PPP loan with respect to these qualifying expenses, however, we cannot assure that such forgiveness of any portion of the PPP loan will occur. As for the potential loan forgiveness, once the PPP loan is, in part or wholly, forgiven and a legal release is received, the liability would be reduced by the amount forgiven and a gain on extinguishment would be recorded. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The Company was in compliance with the terms of the PPP loan as of December 31, 2020. At December 31, 2020, the note payable balance was $980,000, of which $9,000 were reflected as the current portion of note payable.

(b) On June 23, 2020, the Company obtained an Economic Injury Disaster Loan in the amount of $150,000, pursuant to the Small Business Administration (SBA) authorized (under Section 7(b)) of the Small Business Act, as amended. Interest on the loan is at the rate of 3.75% per year, and all loan payments are deferred for twelve months, at which time monthly installment payments of $731 is payable over 30 years from the date of the promissory note. The promissory note is secured by all the assets of the Company. The Company will use all the proceeds of this Loan solely as working capital to alleviate economic injury caused by COVID-19. At December 31, 2020, the balance on the loan was $150,000, of which $1,000 were reflected as the current portion of note payable.

8. Commitments and Contingencies

Legal Proceedings

On March 1, 2021, the Company received notice from Bandera Master Fund LP (“Bandera”) requesting to inspect the Company’s books and records pursuant to Section 220 of the Delaware General Corporation Law (the “Notice”). Bandera claims to have owned a beneficial ownership in Tix Corporation’s common stock of approximately 11.1% at the date of Notice. On March 17, Bandera filed a complaint against the Company in the Delaware Chancery Court in connection with the Notice.

The Company recently received employment related complaints filed by two former employees, which are currently scheduled for hearing with the Department of Industrial Relations in the State of California. The scheduled hearing date for both complaints is March 17, 2021. The employees claim they are owed vacation pay, for which the Company disagrees. The cumulative vacation pay in question is less than $10,000, excluding potential penalties and fees.

On June 19, 2020, the Company (“Tix”) filed a complaint in the Court of Chancery of the State of Delaware (“Court”) against HSB Capital Partners, L.P. (“HSB”) (the (“Complaint”). This dispute concerns actions taken by HSB in violation of its contractual obligations under that certain Agreement, dated as of October 4, 2019, between Tix, HSB and its namesake principal, Haren S. Bhakta, a director of Tix. Tix sought declaratory relief for material breach of the Agreement and granting the Company such other and further relief as the Court deemed just and proper. On October 14, 2020, the Complaint was voluntarily dismissed by the Company without prejudice.

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. Due to the financial impact of COVID-19 on the Company, Mr. Francis, voluntarily ceased receiving compensation during the months of April and May 2020 and resumed compensation at a reduced level of $100,000 annually in June 2020. As part of the Letter Agreement discussed in Note 1, Mr. Francis agreed to waive his salary and all benefits through May 2021. From June through December 2021, Mr. Francis’ annual salary level will be reduced to $100,000 with no paid benefits. Mr. Francis also agreed to waive all unpaid salary and benefits to date.
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 was 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.
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, except for cause, 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. Due to the recent impact of COVID-19 on the Company, Ms. Simon, voluntarily reduced her compensation at a reduced level of $100,000 annually in April 2020. 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.

9. Stockholders' Equity

Common Stock Issuances

During the year ended December 31, 2020, the Company sold 25,000 shares to two of its directors, or a total of 50,000 common shares, for total proceeds of $8,000.

Repurchase of Treasury Shares

During the year ended December 31, 2020, the Company purchased from an employee 5,000 shares of its outstanding common stock for $3,000 at the market price on the date of the transaction of $0.50 per share.

As of December 31, 2020, 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 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, 2020, no options to purchase shares of common stock remain reserved for issuance under the 2009 Equity Plan.

During the years ended December 31, 2020 and 2019, 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, 2020, options to purchase 743,889 shares of common stock remain reserved for issuance under the Directors Plan.

During the years ended December 31, 2020 and 2019, 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, 2020 and 2019, for the two plans discussed above, is as follows:

	Number Of Options		Weighted Average Exercise Price
Balance outstanding, December 31, 2018	2,535,667		1.26
Options granted	-		-
Options exercised	-		-
Options expired or forfeited	(1,566,667)		1.26
Balance outstanding, December 31, 2019	969,000		1.54
Options granted	-		-
Options exercised	-		-
Options expired or forfeited	(90,000)		1.20
Balance outstanding, December 31, 2020	879,000	$	1.57
Balance exercisable, December 31, 2020	829,000	$	1.56

Information relating to outstanding stock options at December 31, 2020, summarized by exercise price, is as follows:

	Outstanding				Exercisable		
Exercise Price Per Share	Shares	Life (Years)		Weighted Average Exercise Price	Shares		Weighted Average Exercise Price
$1.00 - $1.99	750,000	4.72	$	1.46	700,000	$	1.44
$2.00 - $2.99	129,000	5.23	$	2.19	129,000	$	2.19
	879,000	4.80	$	1.57	829,000	$	1.56

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, 2020 and 2019 of $16,000 and $26,000, respectively. As of December 31, 2020, the Company has outstanding unvested options with future compensation costs of $12,000, which will be recorded as compensation cost as the options vest over their remaining average vesting period of 0.67 years.

As of December 31, 2020 and 2019, 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, 2020 and 2019 is as follows:

	Number of Warrants		Weights Average Exercise Price
Balance outstanding, December 31, 2018	747,059	$	1.33
Warrants granted	-		-
Warrants exercised	-		-
Warrants expired	-		-
Balance outstanding, December 31, 2019	747,059		1.33
Warrants granted	400,000		0.55
Warrants exercised	-		-
Warrants expired	(600,000)		1.20

Balance outstanding, December 31, 2020	547,059	$	0.90
Balance exercisable, December 31, 2020	147,059	$	1.85

Information relating to outstanding warrants at December 31, 2020, summarized by exercise price, is as follows:

	Outstanding				Exercisable		
Exercise Price Per Share	**Shares**	**Life (Years)**		**Weighted Average Exercise Price**	**Shares**		**Weighted Average Exercise Price**
$0.55	400,000	1.07	$	0.55	-	$	0.55
$1.85	147,059	9.17	$	1.85	147,059	$	1.85
	547,059	6.99	$	0.90	147,059	$	1.85

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. As part of the new employment agreement, Mr. Francis was granted warrants 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 warrants shall vest and become exercisable on March 1, 2022, 100,000 of the warrants shall vest and become exercisable on March 1, 2023, and 100,000 of the warrants shall vest and become exercisable on February 28, 2024. The warrants shall expire ten years from the date of the grant. The fair value of the warrants granted was determined to be $107,000 and is being amortized over the vesting period of 4 years. The fair value of the warrants was calculated using the Black-Scholes option pricing model using the following assumptions – stock price of $0.40; exercise price of $0.55; expected life of 7 years; volatility of 79%; dividend rate of 0% and discount rate of 1.03%.

The Company recorded compensation expense, relating to the vesting of these warrants, pursuant to authoritative guidance provided by ASC Topic 718 – *Stock Compensation* for the years ended December 31, 2020 and 2019 of $38,000 and $60,000, respectively. As of December 31, 2020, the Company has outstanding unvested warrants with future compensation costs of $84,000, which will be recorded as compensation cost as the options vest over their remaining average vesting period of 3.17 years.

As of December 31, 2020 and 2019, all outstanding warrants are vested and exercisable and had no intrinsic value.

10. Income Taxes

The Company's tax provision for 2020 and 2019 related to deferred tax charges. During the year ended December 31, 2020 and 2019, 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.

At December 31, 2020, the Company estimates it had federal net operating loss carry forwards ("NOLs") of approximately $33.7 million, which are subject to certain limitations, which begin expiring in 2020 through 2032 in varying amounts. However, NOLs originating in 2018, 2019 and 2020 can be carried forward indefinitely, but are only able to offset 80% of taxable income in future years.

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 $30.1 million, which were incurred subsequent to the latest change in control, are not subject to the $1.9 million per year limitation. The utilization of the NOL's of $30.1 million could be limited if in the future it is determined, based on a study performed by an outside third party, that a substantial change of ownership occurred during events such as the Letter Agreement discussed in Note 1, or events in the future effecting substantial changes in ownership.

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 received 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 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, 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, 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.

The Company files 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 2017. The Company does not currently have any open examinations, nor have we been notified of a pending examination.

11. Related Party Transactions

During the year ended December 31, 2020, the Company sold 25,000 shares to two of its directors, or a total of 50,000 common shares, for total proceeds of $8,000.

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 Bekham 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 $36,000 and $144,000 for years ended December 31, 2020 and 2019, as required under the assumed lease agreement. As of December 31, 2020, a past due balance of $108,000 was owed to Bekham Development LLC and included in the current portion of lease liabilities on the consolidated balance sheet.

On October 19, 2020, the Company announced it commenced a review of its strategic alternatives, including a potential sale of the Company. The review was led by a special committee of the Board of Directors to which the Board delegated authority and power to conduct such process. On February 9, 2021, the Company announced that it has entered into a binding letter agreement with its Chief Executive Officer and significant stockholder of the Company, Mitch Francis (the "Letter Agreement"), and that it concluded its previously announced strategic review process.

The material terms of the Letter agreement between the Company and Mr. Francis are as follows:

- Mr. Francis has purchased 6,250,000 shares of the Company's common stock for $500,000, or $0.08 per share and, following such purchase owns directly and beneficially a total of 10,588,530 shares of the Company's common stock par value $0.08 (the "Common Stock") which represent 44.8% of the outstanding shares of the Company's common stock.
- Mr. Francis has provided the Company with an option to call up to an additional $200,000 in funding at any time during the next twenty-four months from the date of the Letter Agreement if the Board determines that he funds are necessary to maintain the Company's viability. The Company's option includes the discretion to accept the funding in the form of debt (a three-year loan at 6% interest only) or equity (issuance of additional shares of Common Stock at $0.08 per share).
- Mr. Francis has agreed to commence a tender offer with respect to and possibly acquire at least one-third of all outstanding shares of the Company at $0.08 per share within 45 days of the date of the Letter Agreement. On March 4, 2021, the Board of Directors approved an extension of Mr. Francis' obligation to possibly acquire at least one-third of all outstanding shares of the Company to within 75 days from the date of the Letter Agreement, in order for Mr. Francis

to explore the possibility of, including obtaining financing for, acquiring all of the outstanding shares of the Company. Mr. Francis has agreed to pay all costs and expenses of the tender offer.

- Mr. Francis agreed to waive his salary and all benefits through May 2021. From June through December 2021, Mr. Francis' annual salary level will be reduced to $100,000 with no paid benefits. Mr. Francis has agreed to waive all unpaid salary and benefits to date.

12. Subsequent Events

The Company has evaluated subsequent events occurring from January 1, 2021 through March 23, 2021, the date the financial statements were issued.

On February 9, 2021, the Company announced it has entered into a binding letter agreement with its Chief Executive Officer and significant stockholder of the Company, Mitch Francis, and concluded its previously announced strategic review process (see Note 1).

On March 1, 2021, the Company received notice from Bandera Master Fund LP ("Bandera") requesting to inspect the Company's books and records pursuant to Section 220 of the Delaware General Corporation Law (the "Notice"). Bandera claims to have owned a beneficial ownership in Tix Corporation's common stock of approximately 11.1% at the date of Notice. On March 17, Bandera filed a complaint against the Company in the Delaware Chancery Court in connection with the Notice.