



TIX CORPORATION
QUARTERLY REPORT
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2017

Tix Corporation and Subsidiary

Index

	<u>Page No.</u>
Item 1. Exact name of the issuer and the address of its principal executive offices	3
Item 2. Shares outstanding	3
Item 3. Interim financial statements	4
Item 4. Management's discussion and analysis or plan of operation	16
Item 5. Legal proceedings	18
Item 6. Defaults upon senior securities	18
Item 7. Other information	18
Item 8. Exhibits	18
Item 9. Certifications	18

Item 1: Exact name of the issuer and the address of its principal executive offices

Name of Issuer: Tix Corporation

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

Investment Relations Officer: Steve Handy, Chief Financial Officer
12711 Ventura Blvd, Suite 340
Studio City, CA 91604
Telephone: (818) 761-1002
Facsimile: (818) 761-1072
Website: www.tixcorp.com

Item 2: Shares outstanding

The following table sets forth information concerning the equity securities of Tix Corporation as of June 30, 2017.

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	June 30, 2017	100,000,000	17,342,175	7,800,000	965	139
Preferred Stock	June 30, 2017	500,000	-	-	-	-

(1) Defined as shares not held directly or indirectly by an officer, director or any person who is the beneficial owner of more than 10 percent of the total shares outstanding.

(2) Estimate of individual participants represented by security position listings. Based on such estimate, more than 100 beneficial shareholders each own at least 100 shares of common stock.

Item 3: Interim financial statements

TIX CORPORATION AND SUBSIDIARY CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>June 30, 2017</u> (Unaudited)	<u>December 31, 2016</u>
Assets		
Current assets:		
Cash	\$ 5,028,000	\$ 7,336,000
Accounts receivable	38,000	36,000
Prepaid expenses and other current assets	358,000	131,000
Total current assets	<u>5,424,000</u>	<u>7,503,000</u>
Property and equipment, net	<u>176,000</u>	<u>264,000</u>
Other assets:		
Goodwill	3,120,000	3,120,000
Deferred tax asset	10,209,000	10,508,000
Deposits and other assets	61,000	61,000
Total other assets	<u>13,390,000</u>	<u>13,689,000</u>
Total assets	<u>\$ 18,990,000</u>	<u>\$ 21,456,000</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable – shows and events	\$ 858,000	\$ 1,097,000
Accounts payable and accrued expenses	448,000	1,090,000
Deferred revenue	55,000	44,000
Note payable – short term and net of discount	188,000	200,000
Total current liabilities	<u>1,549,000</u>	<u>2,431,000</u>
Deferred rent obligations	19,000	28,000
Note payable – net of current portion and discount	-	176,000
Total liabilities	<u>1,568,000</u>	<u>2,635,000</u>
Stockholders' equity:		
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, and 17,349,583 shares net of 16,637,406 treasury shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	2,720,000	2,720,000
Additional paid-in capital	94,897,000	94,655,000
Cost of stock held in treasury	(28,164,000)	(28,154,000)
Accumulated deficit	(52,031,000)	(50,400,000)
Total stockholders' equity	<u>17,422,000</u>	<u>18,821,000</u>
Total liabilities and stockholders' equity	<u>\$ 18,990,000</u>	<u>\$ 21,456,000</u>

See accompanying notes to the condensed consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Revenues	\$ 4,761,000	\$ 5,312,000
Operating expenses:		
Direct costs of revenues	2,356,000	2,552,000
Selling, general and administrative expenses	1,859,000	1,834,000
Depreciation and amortization	38,000	117,000
Total operating expenses	4,253,000	4,503,000
Operating income	508,000	809,000
Other expense:		
Interest expense	4,000	6,000
Other expense , net	4,000	6,000
Income before provision for income taxes	504,000	803,000
Provision for income taxes	171,000	273,000
Net income	\$ 333,000	\$ 530,000
Net income per common share		
Net income per common share – basic	\$ 0.02	\$ 0.03
Net income per common share – diluted	\$ 0.02	\$ 0.03
Weighted average common shares outstanding – basic	17,342,175	17,292,304
Weighted average common shares outstanding – diluted	17,342,175	18,094,901

See accompanying notes to the condensed consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Six Months Ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Revenues	\$ 9,085,000	\$ 10,729,000
Operating expenses:		
Direct costs of revenues	4,795,000	5,147,000
Selling, general and administrative expenses	3,763,000	3,778,000
Depreciation and amortization	100,000	250,000
Total operating expenses	8,658,000	9,175,000
Operating income	427,000	1,554,000
Other expense:		
Interest expense	10,000	11,000
Other expense, net	10,000	11,000
Income before provision for income taxes	417,000	1,543,000
Provision for income taxes	142,000	525,000
Net income	\$ 275,000	\$ 1,018,000
Net income per common share		
Net income per common share – basic	\$ 0.02	\$ 0.06
Net income per common share – diluted	\$ 0.02	\$ 0.06
Weighted average common shares outstanding – basic	17,348,184	17,316,362
Weighted average common shares outstanding – diluted	17,376,904	18,079,631

See accompanying notes to the condensed consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Common Stock		Additional		Treasury		Accumulated		Total
	Shares	Amount	Paid In		Stock		Deficit		Stockholders'
			Capital						Equity
Balance, December 31, 2016	17,349,583	\$ 2,720,000	\$ 94,655,000		\$ (28,154,000)		\$ (50,400,000)		\$ 18,821,000
Cash dividends	-	-	-		-		(1,906,000)		(1,906,000)
Stock based compensation	-	-	242,000		-		-		242,000
Cost of treasury shares	(7,408)	-	-		(10,000)		-		(10,000)
Net income	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>		<u>275,000</u>		<u>275,000</u>
Balance, June 30, 2017	<u>17,342,175</u>	<u>\$ 2,720,000</u>	<u>\$ 94,897,000</u>		<u>\$ (28,164,000)</u>		<u>\$ (52,031,000)</u>		<u>\$ 17,422,000</u>

See accompanying notes to the condensed consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income	\$ 275,000	\$ 1,018,000
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Imputed interest	12,000	12,000
Depreciation	100,000	234,000
Amortization of intangible assets	-	17,000
Stock based compensation	242,000	195,000
Deferred tax asset	299,000	454,000
(Increase) decrease in:		
Accounts receivable	(2,000)	7,000
Prepaid expenses and other assets	(227,000)	(114,000)
Increase (decrease) in:		
Accounts payable – shows and events	(239,000)	(299,000)
Accounts payable and accrued expenses	(642,000)	(693,000)
Deferred revenue	11,000	4,000
Deferred rent obligations	(9,000)	(17,000)
Net cash (used in) provided by operating activities	(180,000)	818,000
Cash flows from investing activities:		
Purchases of property and equipment	(12,000)	(29,000)
Net cash used in investing activities	(12,000)	(29,000)
Cash flows from financing activities:		
Cash received on exercise of stock options	-	42,000
Dividends paid	(1,906,000)	(1,817,000)
Payment on note payable	(200,000)	(200,000)
Cost of treasury stock	(10,000)	(39,000)
Net cash used in financing activities	(2,116,000)	(2,014,000)
Net decrease in cash	(2,308,000)	(1,225,000)
Cash, beginning of period	7,336,000	7,921,000
Cash, end of period	\$ 5,028,000	\$ 6,696,000
Supplemental disclosures of cash flow information:		
Cash paid for:		
Income taxes	\$ 1,000	\$ 71,000
Interest	\$ -	\$ -

See accompanying notes to the condensed consolidated financial statements

TIX CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(UNAUDITED)

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 dining reservations through our subsidiary Tix4Tonight, LLC (“Tix4Tonight”).

Our wholly-owned subsidiary, Tix4Tonight, offers for sale discount show and discount dining reservations. When selling last minute 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. Tix4Tonight typically does not know exactly what shows it will be able to offer tickets for until the same day of the show. 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. Tix4Tonight has no financial risk with respect to unsold tickets and revenues are recorded at net of cost, that is, we record only the commissions and service fees as revenues.

Preparation of Interim Financial Statements

The condensed consolidated financial statements included in this report are unaudited and have been prepared by the Company and, in the opinion of management, include all adjustments (consisting of normal recurring accruals and adjustments necessary for adoption of new accounting standards) necessary to present fairly the results of the interim periods shown. Management believes that its disclosures are sufficiently presented to prevent this information from being misleading. Due to seasonality and other factors, the results for the interim periods are not necessarily indicative of results for a full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2016 Annual Report.

Consolidation

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

2. Summary of Significant Accounting Policies

Revenue Recognition

The Company has 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:

The Company’s Las Vegas discount show ticketing business recognizes as revenue the commissions and related transaction fees earned from the sale of Las Vegas show tickets at the time the tickets are paid for by and delivered to the customers. The Company’s transaction fees are charged on a per-ticket basis. With certain exceptions, ticket sales are generally non-refundable, although same-day exchanges of previously sold tickets are permitted. Claims for ticket refunds, which are generally received and paid the day after the show date, are charged back to the respective shows and are recorded as a reduction to the Company’s commissions and fees at the time that such refunds are processed. The Company does not have accounts receivable associated with its sales transactions, as payment is collected at the time of sale.

The Company’s Las Vegas discounted dining business offers reservations for discounted dining at various restaurants surrounding the Las Vegas Strip and downtown with dining at specific times on the same day or in some cases the day after the sale. The Company recognizes as revenue the transaction fees earned from the booking of dining reservations at the time that the reservations are made and a subsequent nominal fee from the restaurant at the time the reservation is used. At this time, the Company has immaterial amounts of accounts receivable and does not have any accounts payable associated with the discounted dining business, as the Company collects the transaction fee at the time that the reservation is made, and the dining payment is collected directly by the restaurant.

Revenue Concentrations

During the six months ended June 30, 2017 and 2016, Cirque du Soleil and MGM Resorts International were partners on six shows, for which the Company currently sells tickets to four of them, which together represented approximately 15% and 15% of the number of show tickets we sold, respectively. If our existing relationships with MGM Resorts International or Cirque du Soleil materially 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 (See Note 8). No single show, venue or theatre accounted for more than 10% of revenues.

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 the 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.

Goodwill

The Company accounts for goodwill in accordance with the authoritative guidance issued by the ASC Topic 350 – *Goodwill and Other*. The Company evaluates goodwill for impairment, at a minimum, on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated undiscounted future cash flows. Recoverability of goodwill is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors, including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss. If current economic conditions worsen causing decreased revenues and increased costs, we may have to record an impairment to our goodwill. At June 30, 2017, the Company had remaining goodwill related to our acquisitions of \$3,120,000.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax asset or liability is established for the expected future consequences of temporary differences in the financial reporting and tax basis of assets and liabilities. The Company considers future taxable income and ongoing, prudent and feasible tax planning strategies, in assessing the value of its deferred tax assets. If the Company determines that it is more likely than not that these assets will not be realized, the Company will reduce the value of these assets to their expected realizable value, thereby decreasing net income. 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 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.

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 June 30, 2017 and December 31, 2016.

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 the 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.
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 June 30, 2017 and December 31, 2016, the fair value of cash, accounts receivable, 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.

Basic and Diluted Income per Share

Our computation of earnings per share (“EPS”) includes basic and diluted EPS. Basic EPS is measured as the income available to common stockholders divided by the weighted average common shares outstanding for the period. Diluted income per share reflects the potential dilution, using the treasury stock method, that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the income of the Company as if they had been converted at the beginning of the periods presented, or issuance date, if later. In computing diluted income per share, the treasury stock method assumes that outstanding options and warrants are exercised and the proceeds are used to purchase common stock at the average market price during the period. Options and warrants may have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the options and warrants. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

The following table sets forth the computation of basic and diluted income per common share.

	Six Months Ended June 30,	
	2017	2016
Net income	\$ 275,000	\$ 1,018,000
Weighted average common shares – basic	17,348,184	17,316,362
Dilutive effect of outstanding warrants and stock options	28,720	763,269
Weighted average shares – diluted	17,376,904	18,079,631
Net income per common share:		
Basic	\$ 0.02	\$ 0.06
Diluted	\$ 0.02	\$ 0.06

There were no adjustments to net income required for purposes of computing diluted earnings per share. At June 30, 2017 and 2016, we excluded the outstanding securities summarized below, which entitle the holders thereof to acquire shares of common stock, from our calculation of our diluted earnings per share, as their effect would have been antidilutive.

	June 30, 2017	June 30, 2016
Warrants	147,059	-
Stock options	2,700,334	333,000
Total	2,847,393	333,000

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 three and six months ended June 30, 2017 and 2016 were \$232,000, \$445,000 and \$100,000, \$191,000, 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 June 30, 2017, 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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 is a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has recently issued ASU 2016-08, ASU 2016-10, ASU 2016-11, ASU 2016-12, and ASU 2016-20 all of which clarify certain implementation guidance within ASU 2014-09. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted only in annual reporting periods beginning after December 15, 2016, including interim periods therein. The standard can be adopted either retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Company is currently in the process of analyzing the information necessary to determine the impact of adopting this new guidance on its financial position, results of operations, and cash flows. The Company will adopt the provisions of this statement in the first quarter of fiscal 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 requires a lessee to record a right of use asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest period presented in the financial statements. The Company is currently evaluating the expected impact that the standard could have on its financial statements and related disclosures.

In March 2016, the FASB issued the ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The amendments in this ASU require, among other things, that all income tax effects of awards be recognized in the income statement when the awards vest or are settled. The ASU also allows for an employer to repurchase more of an employee's shares than it can today for tax withholding purposes without triggering liability accounting and allows for a policy election to account for forfeitures as they occur. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted for any entity in any interim or annual period. The Company is currently evaluating the expected impact that the standard could have on its financial statements and related disclosures.

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04 *Intangibles—Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment*. The standard simplifies the accounting for goodwill impairments and allows a goodwill impairment charge to be based on the amount of a reporting unit's carrying value in excess of its fair value. This eliminates the requirement to calculate the implied fair value of goodwill or what is known as "Step 2" under the current guidance. The new standard is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for annual or interim goodwill impairment testing performed after January 1, 2017. The Company is currently evaluating the timing of adoption.

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 our property and equipment balances as of June 30, 2017 and December 31, 2016, respectively.

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Office equipment and furniture	\$ 3,517,000	\$ 3,505,000
Leasehold improvements	287,000	287,000
Total property and equipment	3,804,000	3,792,000
Less accumulated depreciation	(3,628,000)	(3,528,000)
Total property and equipment, net	\$ <u>176,000</u>	\$ <u>264,000</u>

Depreciation expense for the three and six months ended June 30, 2017 and 2016 was \$38,000, \$100,000 and \$117,000, \$233,000, respectively.

4. Notes Payable

On February 10, 2011, the Company entered into and concurrently closed on an Asset Purchase Agreement with VegasTix4Less. Pursuant to the Asset Purchase Agreement, the Company paid VegasTix4Less \$2,000,000 in cash and issued a \$2,000,000 non-interest bearing secured promissory note. The secured promissory note is secured by the assets acquired from VegasTix4Less. As this obligation carries no interest, the Company imputed an average interest rate of 5.00% resulting in a discount of \$200,000, which is being amortized on an effective interest rate basis over the eight year term of the note. As of December 31, 2016, \$400,000 was outstanding under the promissory note. During the six months ended June 30, 2017, the Company made a payment of \$200,000. As of June 30, 2017, \$200,000 was outstanding under the note payable which is due in February of fiscal year 2018. As of June 30, 2017 and December 31, 2016, the unamortized discount for the note payable was \$12,000 and \$24,000, resulting in a net obligation due of \$188,000 and \$376,000, of which \$188,000 and \$200,000 was reflected as part of current liabilities on the accompanying consolidated balance sheets, respectively.

5. Stockholders' Equity

Stockholder Rights Agreement

On January 2, 2014, the Company announced that its Board of Directors adopted an amendment of the Company's Stockholder Rights Agreement (the "Rights Agreement") to protect the interests of all Company stockholders by lowering the beneficial ownership threshold to a level that could help preserve the value of the Federal Net Operating Loss Carry Forwards ("NOLs"). The Company's ability to use the NOLs would be substantially limited if there were an "ownership change" as defined under Section 382 of the U.S. Internal Revenue Code and related U.S. Treasury regulations ("Section 382"). In general, an "ownership change" would occur under Section 382 if the Company's "5-percent stockholders," as defined under Section 382, collectively increase their ownership in the Company by more than 50 percentage points over a rolling three-year period.

Under the terms of the amended and restated Rights Agreement, subject to certain exceptions, in the event a person or group, without Board approval, acquires beneficial ownership of 4.95% or more of the outstanding common stock or announces a tender or exchange offer which would result in such person or group's beneficial ownership of 4.95% or more of the outstanding common stock (a "Triggering Stockholder"), then all stockholders of the Company (other than the Triggering Stockholder) will be entitled to acquire shares of common stock at a 50% discount (a "Dilution Event").

A person or group that owns 4.95% or more of the outstanding common stock at the time of the adoption of the amended and restated Rights Agreement (an "Existing Major Stockholder") will not trigger a Dilution Event. However, a Dilution Event will be triggered if an Existing Major Stockholder, without Board approval, acquires any additional shares of common stock. The 4.95% beneficial ownership threshold under the amended and restated Rights Agreement will remain applicable until June 30, 2021, or earlier, if the Board determines that the reduced threshold is no longer necessary for the preservation of the NOLs.

The foregoing description of the amended and restated Rights Agreement is qualified in its entirety by reference to the full text of the amended and restated Rights Agreement, a copy of which is available on the Company's website and is incorporated herein by reference.

Quarterly Cash Dividend Program

In April 2015, the Company announced a program of paying a regular quarterly cash dividend to the Company's stockholders. During the six months ended June 30, 2017, the Company paid a total of \$1,906,000 in cash dividends to its stockholders. On July 6, 2017, the Company announced its board of directors had voted to suspend the quarterly dividend on the Company's common stock due to the continued difficult operating environment in Las Vegas and to preserve capital (See Note 8).

Treasury Stock

During the six months ended June 30, 2017, the Company purchased 7,408 shares of its outstanding common stock for \$10,000 at an average price of \$1.35 per share, excluding costs.

During the six months ended June 30, 2016, options to acquire 117,777 shares of common stock were exchanged on a cashless basis for the issuance of 53,693 shares of common stock. The Company agreed to pay the corresponding taxes on behalf of the option holders of \$39,000 in exchange for the return of 17,453 shares of common stock or \$2.23 per share. The Company accounted for the 17,453 shares as a part of our treasury stock.

Summary of Stock Options

A summary of the combined stock options for the six months ended June 30, 2017 is as follows:

	Number of Options		Weighted Average Exercise Price
Balance outstanding, December 31, 2016	2,910,334	\$	2.01
Options granted	-		-
Options exercised	-		-
Options expired or forfeited	-		-
Balance outstanding, June 30, 2017	<u>2,910,334</u>	\$	<u>2.01</u>
Balance exercisable, June 30, 2017	<u>2,185,501</u>	\$	<u>2.15</u>

Information relating to outstanding stock options at June 30, 2017, 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	2,423,334	4.12	\$ 1.31	1,788,334	\$ 1.25
\$2.00 - \$2.99	154,000	8.73	\$ 2.19	64,167	\$ 2.19
\$6.00 - \$7.00	333,000	0.23	\$ 6.99	333,000	\$ 6.99
	<u>2,910,334</u>	<u>3.92</u>	<u>\$ 2.01</u>	<u>2,185,501</u>	<u>\$ 2.15</u>

The Company recorded compensation expense pursuant to authoritative guidance provided by the ASC Topic 718 – *Stock Compensation* for the three and six months ended June 30, 2017 and 2016 of \$106,000, \$211,000 and \$102,000, \$195,000, respectively. As of June 30, 2017, the Company has outstanding unvested options with future compensation costs of \$346,000, which will be recorded as compensation cost as the options vest over their remaining average vesting period of 2.49 years.

Both the outstanding stock options and exercisable stock options had no intrinsic value at June 30, 2017.

Summary of Warrants

A summary of warrant activity for the six months ended June 30, 2017 is as follows:

	Number of Warrants		Weighted average exercise Price
Balance outstanding, December 31, 2017	747,059	\$	1.33
Warrants granted	-		-
Warrants exercised	-		-
Warrants expired	-		-
Balance outstanding, June 30, 2017	<u>747,059</u>	\$	<u>1.33</u>
Balance exercisable, June 30, 2017	<u>747,059</u>	\$	<u>1.33</u>

Information relating to outstanding warrants at June 30, 2017, summarized by exercise price, is as follows:

<u>Exercise Price Per Share</u>	<u>Outstanding</u>			<u>Exercisable</u>	
	<u>Shares</u>	<u>Life (Years)</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
\$1.20 - \$1.85	747,059	3.67	\$ 1.33	747,059	\$ 1.33

On January 24, 2017, the Company modified the term of a warrant originally granted to its Chief Executive Officer in March 2012 and due to expire in March 2017. The Company extended the expiration date of the warrant by an additional 60 months. Due to the modification, the Company recorded a charge of \$31,000 on the modification date to account for the incremental change in fair value of the warrants before and after the modification.

As of June 30, 2017, the Company has no outstanding unvested warrants with future compensation costs.

Both the outstanding warrants and exercisable warrants had no intrinsic value at June 30, 2017.

6. Income Taxes

At December 31, 2016, the Company estimates it had federal net operating loss carry forwards (“NOLs”) of approximately \$25.7 million, which are subject to certain limitations, which begin expiring in 2017 in varying amounts through 2032.

Authoritative guidance issued by the 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 \$1.8 million per year as a result of recent cumulative changes in stock ownership. NOL’s of \$23.5 million, which were incurred subsequent to the latest change in control, are not subject to the \$1.8 million per year limitation.

Provision for income taxes was \$171,000, \$142,000 and \$273,000, \$525,000 for the three and six months ended June 30, 2017 and 2016, respectively.

7. Legal Proceedings

We are engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of our 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 our Company or our subsidiary, threatened against our Company, our common stock, our subsidiary or of our Company or our subsidiary’s officers or directors in their capacities as such.

8. Subsequent Events

The Company has evaluated subsequent events occurring from July 1, 2017 through July 20, 2017, the date the financial statements were available to be issued.

On July 6, 2017, the Company announced its Board of Directors (the “Board”) had voted to suspend the quarterly dividend on the Company’s common stock due to the continued difficult operating environment in Las Vegas and to preserve capital. The Company also announced the Board approved the request by Mitch Francis, the CEO of the Company, to purchase up to two million shares of the Company’s common stock at such times and at such prices that Mr. Francis may determine in his discretion subject to the Company’s Statement of Policy on Securities Trading.

On July 18, 2017, the Company reported that it was recently notified by MGM Resorts International (“MGM”) of their plan to open their own discount ticket booths soon within their hotel properties in Las Vegas. Further, they will terminate sales of their Cirque du Soleil (“Cirque”) shows at the Company’s Tix4Tonight booths. The new MGM booths will also sell discount tickets for all shows located within their Las Vegas hotel properties, although the Company believes those shows will most likely not discontinue sales at the Tix4Tonight booths. Cirque and MGM are partners on four of the five Cirque shows the Company currently sells, which represent approximately 15% of the Company’s total ticket sales. The MGM/Cirque partnership does not include Cirque’s *Mystère*, the Company’s best-selling Cirque show, which the Company anticipates will continue to be offered at its booths. The Company is in discussions with MGM and Cirque to sell their tickets through the Company’s new online and mobile platforms. Competition from MGM’s new discount ticket booths, coupled with the removal of the four Cirque shows from our inventory may materially negatively impact the Company’s future performance.

Item 4: 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 herein constitute forward-looking statements. Certain factors which may cause actual results to vary materially from these forward-looking statements are set forth herein or in our Annual Report for the year ended December 31, 2016.

Results of Operations –

Consolidated Results of Operations - Three and Six Months ended June 30, 2017 and 2016

	Three Months Ended		% Change	Six Months Ended		% Change
	June 30,			June 30,		
	2017	2016		2017	2016	
Revenues	\$ 4,761,000	\$ 5,312,000	(10%)	\$ 9,085,000	\$ 10,729,000	(15%)
Operating Expenses:						
Direct operating expenses	2,356,000	2,552,000	(8%)	4,795,000	5,147,000	(7%)
Selling, general and administrative expenses	1,859,000	1,834,000	1%	3,763,000	3,778,000	(0%)
Depreciation and amortization	38,000	117,000	(68%)	100,000	250,000	(60%)
Total operating expenses	4,253,000	4,503,000	(6%)	8,658,000	9,175,000	(6%)
Operating income	508,000	809,000	(37%)	427,000	1,554,000	(73%)
Other expense (income), net	4,000	6,000	(33%)	10,000	11,000	(9%)
Income before income taxes	504,000	803,000	(37%)	417,000	1,543,000	(73%)
Provision for income taxes	171,000	273,000	(37%)	142,000	525,000	(73%)
Net income	\$ 333,000	\$ 530,000	(37%)	\$ 275,000	\$ 1,018,000	(73%)

Three Months Ended June 30, 2017 and 2016:

Revenues

The Company’s Las Vegas discount show ticketing business recognizes as revenue the commissions and related transaction fees earned from the sale of Las Vegas show tickets at the time the tickets are paid for by and delivered to the customers. The Company’s transaction fees are charged on a per-ticket basis. With certain exceptions, ticket sales are generally non-refundable, although same-day exchanges of previously sold tickets are permitted. Claims for ticket refunds, which are generally received and paid the day after the show date, are charged back to the respective shows and are recorded as a reduction to the Company’s commissions and fees at the time that such refunds are processed. The Company does not have accounts receivable associated with its sales transactions, as payment is collected at the time of sale.

The Company offers reservations for discounted dining at various restaurants surrounding the Las Vegas Strip and downtown. Revenues are recognized as transaction fees and are earned from the purchaser of the dining reservations at the time the reservations are made and a subsequent nominal fee from the restaurant at the time the reservation is used. At this time, the Company has minor amounts of accounts receivable.

Revenues were \$4,761,000 compared to \$5,312,000 in the same period a year ago. Revenues were negatively impacted by last year’s significant number of permanent show closures and increased competition, particularly from online and mobile ticket sellers as compared to the same period a year ago.

Direct Operating Expenses

Direct operating expenses include payroll costs, rents, utilities and third party commission and fees. Direct operating expenses decreased to \$2,356,000 compared to \$2,552,000 for the same period a year ago. The decrease in direct operating expenses was primarily the result of one less location in operation this period as compared with the same period a year ago.

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, litigation, 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 merchant credit card processing fees, employee benefit expenses, advertising and miscellaneous other general operating expenses to support our ticketing services business.

Total selling, general and administrative expenses was \$1,859,000 and \$1,834,000 for the three months ended June 30, 2017 and 2016, respectively.

Depreciation and Amortization

Depreciation and amortization expense was \$38,000 and \$117,000 for the three months ended June 30, 2017 and 2016, respectively. The decrease in depreciation and amortization expense was from property and equipment which became fully depreciated during the same period of the prior year.

Other Expense, net

Other expense, net, which includes interest expense, was \$4,000 and \$6,000 for the three months ended June 30, 2017 and 2016, respectively.

Provision for Income Taxes

Provision for income taxes was \$171,000 and \$273,000 for the three months ended June 30, 2017 and 2016, respectively.

Six Months Ended June 30, 2017 and 2016:

Revenues

Revenues were \$9,085,000 compared to \$10,729,000 in the same period a year ago. Revenues were negatively impacted by last year's significant number of permanent show closures and increased competition, particularly from online and mobile ticket sellers as compared to the same period a year ago.

Direct Operating Expenses

Direct operating expenses decreased to \$4,795,000 compared to \$5,147,000 for the same period a year ago. The decrease in direct operating expenses was primarily the result of one less location in operation during the period as compared with the same period a year ago.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses was \$3,763,000 and \$3,778,000 for both the six months ended June 30, 2017 and 2016, respectively.

Depreciation and Amortization

Depreciation and amortization expense was \$100,000 and \$250,000 for the six months ended June 30, 2017 and 2016, respectively. The decrease in depreciation and amortization expense was from property and equipment which became fully depreciated and intangible assets which became fully amortized during the same period of the prior year.

Other Expense, net

Other expense, net, which includes interest expense, was \$10,000 and \$11,000 for the six months ended June 30, 2017 and 2016, respectively.

Provision for Income Taxes

Provision for income taxes was \$142,000 and \$525,000 for the six months ended June 30, 2017 and 2016, respectively.

Liquidity and Capital Resources

At June 30, 2017, we had cash of \$5,028,000 and total assets of \$18,990,000 compared to \$7,336,000 and \$21,456,000 at December 31, 2016. Our working capital decreased \$1,197,000 at June 30, 2017 to \$3,875,000, compared to a working capital of \$5,072,000 at December 31, 2016. The decrease in working capital was primarily due to the decrease in revenues and dividend payments totaling \$1,906,000 during the period.

Cash flows used in operating activities were \$180,000 for the six months ended June 30, 2017. Cash flows from operating activities were derived from our net income of \$275,000 and increased by net non-cash charges, which includes imputed interest, stock-based compensation expense, depreciation expense, and the non-cash component of the change in deferred tax asset. Total non-cash charges were \$653,000. The net income plus the non-cash charges were offset by changes in working capital accounts of \$1,108,000, which included a decrease in accounts payable and accrued expenses of \$881,000. The remaining change was due to small differences in several smaller working capital accounts.

Cash used in financing activities was \$2,116,000 for the six months ended June 30, 2017, which includes payment of cash dividends of \$1,906,000 (See Note 5 to our Consolidated Financial Statements), payment of \$200,000 on our note payable (See Note 4 to our Consolidated Financial Statements); and \$10,000 used to purchase treasury shares (See Note 5 to our Consolidated Financial Statements).

Off-Balance Sheet Arrangements

As of June 30, 2017, the Company did not have any “off balance sheet arrangements,” as defined in Item 16(C)(2) of the OTC Markets Guidelines for Providing Adequate Current Information.

Item 5: Legal proceedings

We are engaged from time to time in the defense of lawsuits arising out of the ordinary course and conduct of our 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 our Company or our subsidiary, threatened against our Company, our common stock, our subsidiary or of our Company or our subsidiary’s officers or directors in their capacities as such.

Item 6: Defaults upon senior securities

Not applicable.

Item 7: Other information

Not applicable.

Item 8: Exhibits

Not applicable. The Company’s exhibits are incorporated by reference from the Company’s Annual Report file for the year ended December 31, 2016.

Item 9: Certifications

- Exhibit 9(A) – Certification of Principal Executive Officer
- Exhibit 9(B) – Certification of Principal Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Mitch Francis, Chairman and Chief Executive Officer of Tix Corporation (the “Company”), certify that:

1. I have reviewed this quarterly disclosure statement of the Company for the three and six month period ended June 30, 2017;
2. Based on my knowledge, this disclosure statement does not contain any untrue statements 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 Company as of, and for, the periods presented in this disclosure statement.

Date: July 20, 2017

/s/ Mitch Francis

Mitch Francis

Chairman and Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Steve Handy, Chief Financial Officer of Tix Corporation (the “Company”), certify that:

1. I have reviewed this quarterly disclosure statement of the Company for the three and six month period ended June 30, 2017;
2. Based on my knowledge, this disclosure statement does not contain any untrue statements 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 Company as of, and for, the periods presented in this disclosure statement.

Date: July 20, 2017

/s/ Steve Handy
Steve Handy
Chief Financial Officer