

DraftDay Fantasy Sports, Inc.
Form 10-Q
May 16, 2016

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

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
p 1934

For the quarterly period ended March 31, 2016

OR

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

For the transition period from _____ to _____

Commission File No. 00-13803

DraftDay Fantasy Sports, Inc.
(Exact name of Registrant as specified in its charter)

Delaware 33-0637631
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

902 Broadway, 11th Floor, New York, NY 10010
(Address of Principal Executive Offices and Zip Code)

Registrant's Telephone Number, Including Area Code: (212) 231-0092

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.001 per share

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on March 31, 2016, based on the closing price of such stock on the NASDAQ stock market on such date, was \$4,709,371.

As of May 16, 2016, there were 37,229,400 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference: None

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PART I

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words "believe," "expect," "will," "anticipate," "intend," "estimate," "project," "assume" or other similar expressions, although not all forward-looking statements contain these identifying words. All statements in this Quarterly Report regarding our future strategy, future operations, projected financial position, estimated future revenue, projected costs, future prospects, and results that might be obtained by pursuing management's current plans and objectives are forward-looking statements. You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Important risks that might cause our actual results to differ materially from the results contemplated by the forward-looking statements are contained in "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II, Item 1A. Risk Factors" of this Quarterly Report and in our subsequent filings with the Securities and Exchange Commission ("SEC"). Our forward-looking statements are based on the information currently available to us and speak only as of the date on which this Quarterly Report was filed with the SEC. We expressly disclaim any obligation to issue any updates or revisions to our forward-looking statements, even if subsequent events cause our expectations to change regarding the matters discussed in those statements. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our stockholders.

As used in this report:

"DraftDay" refers to DraftDay Fantasy Sports, Inc., a Delaware corporation formerly known as Viggle Inc. (also herein referred to as "the Company")

"App" refers to the free Viggle application (also herein referred to as the "Viggle App")

"We", "us" and "our" refer to DraftDay and its subsidiaries, individually, or in any combination

"SFX" refers to SFX Entertainment Inc., a company affiliated with Robert F.X. Sillerman, the Company's Executive Chairman, Chief Executive Officer, and a Director (hereinafter, "Mr. Sillerman")

"SIC" refers to Sillerman Investment Company, LLC, a company affiliated with Mr. Sillerman

"SIC II" refers to Sillerman Investment Company II, LLC, a company affiliated with Mr. Sillerman

"SIC III" refers to Sillerman Investment Company III, LLC, a company affiliated with Mr. Sillerman

"SIC IV" refers to Sillerman Investment Company IV, LLC, a company affiliated with Mr. Sillerman

"SIC VI" refers to Sillerman Investment Company VI, LLC, a company affiliated with Mr. Sillerman

All dollar amounts in this report, except per share amounts, unless indicated otherwise, are in thousands.

ITEM 1. FINANCIAL STATEMENTS

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DraftDay Fantasy Sports, Inc.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)
(Unaudited)

	March 31, 2016	June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 623	\$4,217
Marketable securities	3,145	—
Accounts receivable (net of allowance for doubtful accounts of \$20 at March 31, 2016 and June 30, 2015)	311	838
Prepaid expenses	2,519	483
Other receivables	30	661
Current assets of discontinued operations	450	3,431
Total current assets	7,078	9,630
Restricted cash	440	695
Property & equipment, net	1,829	2,334
Intangible assets, net	6,160	18,683
Goodwill	15,652	30,632
Other assets	1,269	270
Non-current assets of discontinued operations	—	7,985
Total assets	\$ 32,428	\$ 70,229
Liabilities, convertible redeemable preferred stock and stockholders' equity/(deficit)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 10,204	\$ 5,248
Contingent consideration liability	1,742	4,792
Common stock warrant liability	10	10
Deferred revenue	653	593
Current portion of loan payable	7,216	1,575
Current liabilities of discontinued operations	4,174	13,278
Total current liabilities	23,999	25,496
Loans payable, less current portion	19,666	22,516
Deferred revenue	3,479	3,854
Other long-term liabilities	1,410	1,678
Noncurrent liabilities of discontinued operations	—	538
Total liabilities	48,554	54,082
Series A Convertible Redeemable Preferred Stock, \$1,000 stated value, authorized 100,000 shares, issued and outstanding -0- shares as of March 31, 2016 and June 30, 2015, respectively	—	—
Series C Convertible Redeemable Preferred Stock, \$1,000 stated value, authorized 100,000 shares, issued and outstanding of 10,000 shares as of March 31, 2016 and June 30, 2015, respectively	12,509	11,815
Commitments and contingencies		
Stockholders' (deficit)/equity:		
Series B Convertible Preferred Stock, \$1,000 stated value, authorized 50,000 shares, issued and outstanding -0- shares as of March 31, 2016 and June 30, 2015, respectively	—	—
Series D Preferred Stock, \$1,000 stated value, authorized 150 shares, issued and outstanding 110 and -0- shares as of March 31, 2016 and June 30, 2015, respectively	110	—
	35	23

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Common stock, \$0.001 par value: authorized 300,000,000 shares, issued and outstanding 36,639,383 and 23,383,125 shares as of March 31, 2016 and June 30, 2015, respectively

Additional paid-in-capital

401,904 383,585

Treasury stock, 215,164 shares at March 31, 2016 and June 30, 2015

(11,916)(11,916)

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DraftDay Fantasy Sports, Inc.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)
(Unaudited)

	March 31, 2016	June 30, 2015
Accumulated deficit	(422,626)	(367,360)
Accumulated other comprehensive income	437	—
Noncontrolling interest	3,421	—
Total stockholders' (deficit)/equity	(28,635)	4,332
Total liabilities and stockholders' equity	\$32,428	\$70,229

See accompanying notes to consolidated financial statements

DraftDay Fantasy Sports, Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Nine Months Ended March 31, 2016	Nine Months Ended March 31, 2015
Revenues	\$ 678	\$ 1,404	\$ 3,933	\$ 4,294
Selling, general and administrative expenses	(5,634)	(10,904)	(25,043)	(35,922)
Impairment loss (see Note 3)	—	—	(30,402)	—
Operating loss	(4,956)	(9,500)	(51,512)	(31,628)
Other (expense) income:				
Other income, net	31	1	34	6
Interest expense, net	(1,083)	(935)	(2,866)	(1,415)
Total other expense	(1,052)	(934)	(2,832)	(1,409)
Net loss before provision for income taxes	(6,008)	(10,434)	(54,344)	(33,037)
Income tax expense	—	—	—	—
Net loss from continuing operations	\$ (6,008)	\$ (10,434)	\$ (54,344)	\$ (33,037)
Net income (loss) from discontinued operations	7,605	(10,177)	(2,168)	(27,407)
Net income (loss)	1,597	(20,611)	(56,512)	(60,444)
Accretion of Convertible Redeemable Preferred Stock	74	45	222	16
Undeclared Series C Convertible Redeemable Preferred Stock Dividend	(303)	(127)	(916)	(37)
Less: Net loss attributable to non-controlling interest	557	—	1,247	—
Net income (loss) attributable to DraftDay Fantasy Sports, Inc. common stockholders	\$ 1,925	\$ (20,693)	\$ (55,959)	\$ (60,465)
Net income (loss) per common share - basic and diluted:				
Continuing operations	\$ (0.17)	\$ (0.63)	\$ (1.88)	\$ (2.05)
Discontinued operations	\$ 0.22	\$ (0.61)	\$ (0.08)	\$ (1.70)
Net income (loss) per share attributable to DraftDay Fantasy Sports, Inc. common stockholders - basic and diluted	\$ 0.06	\$ (1.24)	\$ (1.96)	\$ (3.75)
Weighted average common shares outstanding - basic and diluted	34,132,643	16,628,988	28,595,321	16,133,970

See accompanying notes to consolidated financial statements

DraftDay Fantasy Sports, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(amounts in thousands)

(Unaudited)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Nine Months Ended March 31, 2016	Nine Months Ended March 31, 2015
Net income (loss)	\$ 1,597	\$(20,611)	\$(56,512)	\$(60,444)
Other comprehensive income, net of tax:				
Unrealized gain on available for sale securities	437	—	437	—
Other comprehensive income	437	—	437	—
Comprehensive income (loss)	\$ 2,034	\$(20,611)	\$(56,075)	\$(60,444)

See accompanying notes to consolidated financial statements

DraftDay Fantasy Sports, Inc.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY/(DEFICIT)

(amounts in thousands)

	Common Stock	Series D Preferred Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Accumulated Deficit	Non-controlling Interest	Total
Balance July 1, 2015	\$ 23	\$ —	\$383,585	\$(11,916)	\$ —	\$(367,360)	\$ —	\$4,332
Net loss						(56,512)		(56,512)
Other comprehensive income					437			437
Net loss attributable to non-controlling interest						1,246	(1,246)	—
Common shares issued for the DraftDay Business acquisition	2		1,755				1,024	2,781
Common shares and warrants of DDGG issued for management service contracts							3,475	3,475
Common stock issued to settle notes related to the DraftDay Business acquisition	1		823					824
Conversion of debt to common stock	9		4,103					4,112
Series A investment in DDGG							168	168
Accretion of Series C Convertible Redeemable Preferred Stock			222					222
Undeclared Series C Preferred Stock Dividend			(916)					(916)
Series D Preferred Stock issued to settle notes related to the DraftDay Business acquisition		110						110
Restricted stock - share based compensation			11,952					11,952
Employee stock options - share based compensation			380					380
Balance March 31, 2016 (unaudited)	\$ 35	\$ 110	\$401,904	\$(11,916)	\$ 437	\$(422,626)	\$ 3,421	\$(28,635)

See accompanying notes to consolidated financial statements

DraftDay Fantasy Sports, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(Unaudited)

	Nine Months Ended March 31, 2016		Nine Months Ended March 31, 2015	
Operating activities:				
Net loss	\$ (56,512	)	\$ (60,444)
Adjustments to reconcile net loss to net cash used in operating activities:				
Restricted stock - share based compensation	11,952		19,252	
Employee stock options - share based compensation	380		3,700	
Shares issued for services	—		208	
Share based compensation in connection with Securities Purchase Agreement	—		4,141	
Decrease in fair value of common stock warrants	—		(5)
Gain on sale of a business	(7,172)	—	
Fair value gain in financial assets	(68)	—	
Gain on settlement of accounts payable	(555)	—	
Loss on abandonment of assets	173		—	
Loss on settlement of receivables	537		—	
Depreciation and amortization	2,898		4,558	
Impairment loss	30,402		—	
Accretion of note discount	150		66	
Changes in operating assets and liabilities:				
Accounts receivable, net	2,896		1,087	
Other receivables	631		(400)
Prepaid expenses	1,589		74	
Restricted cash	255		5,005	

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Other assets	97		42	
Deferred revenue	(315)	(677)
Accounts payable and accrued expenses	5,901		2,722	
Reward points liability	(64	)	3,029	
Other liabilities	(108)	—	
Other	(49	)	15	
Net cash used in operating activities	(6,982	)	(17,627)
Investing activities:				
Purchase of property and equipment	—		(113)
Capitalized software costs	—		(342)
Net cash provided by investing activities	—		(455)
Financing activities:				
Proceeds from loans	9,688		31,150	
Repayments on loans	(3,000	)	(22,000)
Sale of Class C Convertible Redeemable Preferred Stock	—		10,000	
Payments related to contingent consideration	(3,050)	—	
Repayment on notes payable	(250)	—	
Purchase of common shares from former officer	—		(360)
Net cash provided by financing activities	3,388		18,790	
Net (decrease) increase in cash	(3,594	)	708	
Cash at beginning of period	4,217		7	
Cash at end of period	\$ 623		\$ 715	

Supplemental cash flow information:

Cash paid during the period for interest	\$209	\$999
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Non-Cash investing activities:

Landlord lease incentive build-out allowance	\$—	\$449
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Common stock and warrants issued for DraftDay acquisition	\$1,757	\$—
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DDGG common stock and warrants issued for DraftDay acquisition	\$1,025	\$—
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Notes issued for DraftDay acquisition	\$2,250	\$—
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Common stock and warrants issued for management service contract	\$3,475	\$—
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Non-Cash financing activities:

Common stock issued to partially settle notes related to DraftDay acquisition	\$824	\$—
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Preferred Series D shares issued to partially settle notes related to DraftDay acquisition	\$110	\$—
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Loans converted to common stock	\$4,112	\$—
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See accompanying notes to consolidated financial statements

DraftDay Fantasy Sports, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(amounts in thousands, except share and per share data)

(Unaudited)

1. Basis of Presentation and Consolidation

On January 27, 2016, the Company changed its name from Viggle Inc. to DraftDay Fantasy Sports, Inc. ("DraftDay"), and changed its ticker symbol from VGGL to DDAY. It now conducts business under the name DraftDay Fantasy Sports, Inc.

The consolidated financial statements include the accounts of DraftDay, its wholly-owned subsidiaries, and DraftDay Gaming Group, Inc. ("DDGG"). The Company has nine wholly-owned subsidiaries, Function(x) Inc., Project Oda, Inc., Sports Hero Inc., Loyalize Inc., Viggle Media Inc., VX Acquisition Corp., Nextguide Inc., Wetpaint.com, Inc., and Choose Digital Inc., each a Delaware corporation. DraftDay owns approximately 49% of the issued and outstanding common stock of DDGG, and also appoints a majority of the members of its Board of Directors.

On February 8, 2016, the Company completed the sale of assets related to the Company's rewards business, including the Viggle App, in accordance with the Asset Purchase Agreement (the "Perk Agreement") with Perk.com, Inc. ("Perk") entered into on December 13, 2015. Management entered into this binding sales agreement following a strategic decision to divest the operations related to the Viggle App and place greater focus on its remaining businesses. The assets, liabilities and operations related to Loyalize Inc., and Nextguide Inc. (as well as the portion of the assets relating to our discontinued rewards business within the Company) have been classified as discontinued operations on the accompanying consolidated financial statements for all periods presented. All intercompany transactions and balances have been eliminated.

Going Concern

These financial statements have been prepared on a going concern basis which assumes the Company's ability to continue to realize its assets and discharge its liabilities in the normal course of business. The Company is unlikely to generate significant revenue or earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its stockholders, the ability of the Company to obtain necessary equity or debt financing to continue development of its business and to generate revenue. Management intends to raise additional funds through equity and/or debt offerings until sustainable revenues are developed. There is no assurance such equity and/or debt offerings will be successful and therefore there is substantial doubt about the Company's ability to continue as a going concern within one year after the financial statements are issued. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

2. Lines of Business

The Company's Lines of Business

The Company conducts business through 3 operating segments: Wetpaint, Choose Digital, and DDGG. These operating segments are described below.

Through wetpaint.com, the Company reports original news stories and publishes information content covering top television shows, music, celebrities, entertainment news and fashion. Wetpaint publishes more than 55 new articles,

videos and galleries each day. The Company generates revenues through wetpaint.com by displaying advertisements to wetpaint.com users as they view its content.

Choose Digital is a "white label" digital marketplace featuring a recent and wide range of digital content, including music, movies, TV shows, eBooks and audiobooks. The content is sourced from the world's leading record companies and book publishers and an aggregator of movie and TV content. Choose Digital generates revenues when participants in Choose Digital's clients' loyalty programs redeem loyalty credits for digital content provided by Choose Digital. For example, if a participant in a loyalty program redeems credits for a song download provided by Choose Digital, the client loyalty program pays Choose Digital for the download.

The Company's wholly owned subsidiary, DDGG, made a recent investment in the DraftDay.com platform. Through DraftDay.com, users can draft a fantasy sports team within a salary cap, follow game action and reap rewards. DraftDay.com will continue to

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offer high-quality entertainment to consumers as well as to businesses desiring turnkey solutions to new revenue streams. See Note 6, Acquisitions, for further details on this acquisition.

3. Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending June 30, 2016.

Cash and Cash Equivalents and Restricted Cash

The Company considers all highly liquid securities purchased with original maturities of 90 days or less to be cash equivalents. Cash equivalents are stated at cost which approximates market value and primarily consists of money market funds that are readily convertible into cash. Restricted cash comprises amounts held in deposit that were required as collateral under leases of office space.

Marketable Securities

In February 2016, the Company received 1,370,000 shares of Perk's stock, which is publicly traded on the Toronto Stock Exchange, as part of the consideration in the sale of assets described in the Perk Agreement. These securities are short-term marketable securities, which we have classified as "available-for-sale" securities. Pursuant to FASB ASC 320-10, "Investments - Debt and Equity Securities" our marketable securities are marked to market on a quarterly basis, with unrealized gains and losses recorded in equity as Other Comprehensive Income/Loss.

Accounts Receivable

Accounts receivable are recorded net of an allowance for doubtful accounts. The Company's allowance for doubtful accounts is based upon historical loss patterns, the number of days that the billings are past due and an evaluation of the potential risk associated with delinquent accounts. The Company also considers any changes to the financial condition of its customers and any other external market factors that could impact the collectability of its receivables in the determination of its allowance for doubtful accounts. The Company's allowance for doubtful accounts as of March 31, 2016 and June 30, 2015 was \$20.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable. The Company maintains cash and cash equivalents with domestic financial institutions of high credit quality. The Company performs periodic evaluations of the relative credit standing of all of such institutions.

The Company performs ongoing credit evaluations of customers to assess the probability of accounts receivable collection based on a number of factors, including past transaction experience with the customer, evaluation of their credit history, and review of the invoicing terms of the contract. The Company generally does not require collateral. The Company maintains reserves for potential credit losses on customer accounts when deemed necessary. Actual credit losses during the three months ended March 31, 2016 and March 31, 2015 were \$127 and \$0.

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount of Perk marketable securities held is marked-to-market on a quarterly basis using the closing day share price of the last business day of the quarter. The changes to fair value are recorded in Other Comprehensive Income/Loss. The carrying amount of Perk warrants held is marked-to-market on a quarterly basis using the Monte Carlo valuation model. The changes to fair value are recorded in the consolidated statement of operations. The carrying amount of loans payable approximates fair value as current borrowing rates for the same, or similar issues, are the same as those that were given to the Company at the issuance of these loans.

Property and Equipment

Property and equipment (consisting primarily of computers, software, furniture and fixtures, and leasehold improvements) is recorded at historical cost and is depreciated using the straight-line method over their estimated useful lives. The useful life and depreciation method are reviewed periodically to ensure they are consistent with the anticipated pattern of future economic benefits. Expenditures for maintenance and repairs are charged to operations as incurred, while betterments are capitalized. Gains and losses on disposals are included in the results of operations. The estimated useful lives of the Company's property and equipment is as follows: computer equipment and software: 3 years; furniture and fixtures: 4 years; and leasehold improvements: the lesser of the lease term or life of the asset.

Goodwill and Certain Other Long-Lived Assets

As required by ASC 350, Goodwill and Other Intangible Assets, the Company tests goodwill for impairment during the fourth quarter of its fiscal year. Goodwill is not amortized, but instead tested for impairment at the reporting unit level at least annually and more frequently upon occurrence of certain events. The annual goodwill impairment test is a two step process. First, the Company determines if the carrying value of its reporting unit exceeds fair value, which would indicate that goodwill may be impaired. If the Company then determines that goodwill may be impaired, it compares the implied fair value of the goodwill to its carry amount to determine if there is an impairment loss.

Historically, the Company had one reporting unit. However, in connection with the sale of a significant portion of the Company's assets (see Note 1, Basis of Presentation and Consolidation), the remaining operations were divided into 3 reporting units (see Note 4, Segments). The Company engaged a third-party valuation firm to test the Choose Digital and Wetpaint reporting units for goodwill impairment. The DDGG reporting unit was not tested for impairment at December 31, 2015 due to the fact that the acquisition of this entity occurred in September 2015. The Company determined that the fair value of each of the reporting units tested was significantly below its respective carrying value, indicating that goodwill related to the Choose Digital and Wetpaint reporting units may be impaired. The Company determined the fair value of all long-lived assets other than goodwill related to each reporting unit and calculated the residual goodwill value for each. Upon comparing the residual goodwill values to the respective carrying values, the Company determined that there was an impairment loss on both the Choose Digital and Wetpaint reporting units.

The Company recorded an impairment loss of \$2,095 related to the Choose Digital reporting unit and \$15,507 related to the Wetpaint reporting unit during the three months ended December 31, 2015. There were no impairments recorded during the three months ended March 31, 2016.

The Company accounts for the impairment of long-lived assets other than goodwill in accordance with ASC 360, "Property, Plant, and Equipment", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal.

At June 30, 2015, the Company determined that certain intangible assets related to the acquisition of Choose Digital (see Note 6, Acquisitions for further detail regarding the Choose Digital acquisition) were impaired. Due to a shift in the Company's business operations and utilization of its resources, during the fourth quarter of fiscal 2015 the Company determined that intangible assets related to customer relationships and trade name no longer had value. Therefore, such assets were written off as of June 30, 2015. The total amount of the write-off was \$2,086.

At December 31, 2015, as described above, the Company determined that the fair value of the Choose Digital and Wetpaint reporting units tested was significantly below the respective carrying values and assessed the fair values of the long-lived assets other than goodwill for each reporting unit. Upon comparing the fair values of the long-lived assets to their respective carrying values, the Company recorded a loss of \$1,331 on intangible assets related to Choose Digital's software and licenses, and a loss of \$11,469 on intangible assets related to Wetpaint's technology, trademark, customer relationships and non-competition agreements, during the three months ended December 31, 2015. No impairments were recorded during the three months ended March 31, 2016.

Capitalized Software

The Company records amortization of acquired software on a straight-line basis over the estimated useful life of the software.

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In addition, the Company records and capitalizes internally generated computer software and, appropriately, certain internal costs have been capitalized in the amounts of \$0 and \$1,610 as of March 31, 2016 and June 30, 2015, respectively, in accordance with ASC 350-40 "Internal-use Software". At the time software is placed into service, the Company records amortization on a straight-line basis over the estimated useful life of the software. The change in capitalized software is due to impairment of long-term assets related to the Choose Digital and Wetpaint businesses described earlier, as well as the abandonment of certain technology as of January 1, 2016, and internal development costs.

Deferred Rent

The Company is party to a lease for office space for its corporate office, and as part of the agreement the landlord provided a rent abatement for the first 10 months of the lease. In 2014, the Company entered into two lease agreements for its satellite offices which provided for tenant improvement work sponsored by the landlords. The abatement and landlord sponsored improvements have been accounted for as a reduction of rental expense over the life of the lease. The Company accounts for rental expense on a straight line basis over the entire term of the lease. Deferred rent is equal to the cumulative timing difference between actual rent payments and recognized rental expense. On November 20, 2015, the Company terminated one of the lease agreements which provided for tenant improvement. The Company wrote off the remaining leasehold improvement and deferred rent balances during the three months ended March 31, 2016, and the write-off of \$2 was recorded in the Consolidated Statements of Operations.

Revenue Recognition

The Company recognizes revenue when: (1) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which products or services will be provided; (2) delivery has occurred or services have been provided; (3) the fee is fixed or determinable; and (4) collection is reasonably assured. For all revenue transactions, the Company considers a signed agreement, a binding insertion order or other similar documentation to be persuasive evidence of an arrangement.

Advertising Revenue: the Company generates advertising revenue primarily from display and video advertising, which is typically sold on a cost-per-thousand impressions, or CPM basis, and completed engagements on a cost per engagement, or CPE basis. Advertising campaigns typically range from 1 to 12 months, and advertisers generally pay the Company based on a minimum of delivered impressions or the satisfaction of other criteria, such as click-throughs.

Deferred Revenue: deferred revenue consists principally of both prepaid but unrecognized revenue and advertising fees received or billed in advance of the delivery or completion of the delivery of services. Deferred revenue is recognized as revenue when the services are provided and all other revenue recognition criteria have been met.

Barter Revenue: barter transactions represent the exchange of advertising or programming for advertising, merchandise or services. Barter transactions which exchange advertising for advertising are accounted for in accordance with EITF Issue No. 99-17 "Accounting for Advertising Barter Transactions" (ASC Topic 605-20-25). Such transactions are recorded at the fair value of the advertising provided based on the Company's own historical practice of receiving cash for similar advertising from buyers unrelated to the counter party in the barter transactions. Barter transactions which exchange advertising or programming for merchandise or services are recorded at the monetary value of the revenue expected to be realized from the ultimate disposition of merchandise or services.

The Company recognized barter revenue and barter expense in the amount of \$4 and \$428 for the three and nine months ended March 31, 2016, respectively, and \$28 and \$390 for the three and nine months ended March 31, 2015, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, Compensation - Stock Compensation. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and warrants issued. Stock-based awards issued to date are comprised of both restricted stock awards (RSUs) and employee stock options.

Marketing

Marketing costs are expensed as incurred. Marketing expense for the Company for the three and nine months ended March 31, 2016 was \$76 and \$556, respectively, including barter expense. Marketing expense for the Company for the three and nine months ended March 31, 2015 was \$118 and \$657, respectively, including barter expense.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, Income Taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements.

Comprehensive Loss

In accordance with ASC 220 Comprehensive Income, the Company reports by major components and as a single total, the change in its net assets during the period from non-owner sources. Comprehensive income consists of net income (loss), accumulated other comprehensive income (loss), which includes certain changes in equity that are excluded from net income (loss). The Company's comprehensive loss for all periods presented is related to the effect of unrealized gain on available for sale marketable securities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 expenses during the reporting period. These estimates include, among others, fair value of financial assets and liabilities, net realizable values on long-lived assets, certain accrued expense accounts, and estimates related to stock-based compensation. Actual results could differ from those estimates.

During the nine months ended March 31, 2016, there have been no significant changes related to our critical accounting policies and estimates as disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015.

Recently Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). This update is intended to improve the accounting for employee share-based payments and affects all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including:(a)income tax consequences;(b)classification of awards as either equity or liabilities; and(c) classification on the statement of cash flows. ASU 2016-09 is effective for financial statements

issued for annual periods beginning after December 15, 2016. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-09 on its financial statements.

In February 2016, FASB issued Accounting Standards Update No. 2016-02, "Leases" ("ASU 2016-02"). ASU 2016-02

requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a

lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a

right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease

term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. ASU 2016-02 is effective for financial statements issued for annual periods beginning after December 15,

2018. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-02 on its financial statements.

In January 2016, FASB issued Accounting Standards Update No. 2016-01, "Financial Instruments- Overall: Recognition

and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). ASU 2016-01 requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee).

Additionally, it requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Lastly, the standard eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. ASU 2016-01 is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Company does not expect the standard to have a material impact on its consolidated financial statements.

In November 2015, FASB issued Accounting Standards Update No. 2015-17, "Income taxes: Balance Sheet Classification

of Deferred Taxes Business" ("ASU 2015-17"). Topic 740, Income Taxes, requires an entity to separate deferred income tax

liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Deferred tax liabilities

and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, ASU 2015-17 requires that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently in the process of evaluating the impact of adoption of ASU 2015-17 on its financial statements.

In September 2015, the FASB issued Accounting Standard Update No. 2015-16, Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). This standard requires that an acquirer retrospectively adjust provisional amounts recognized in a business combination, during the measurement period. To simplify the accounting for adjustments made to provisional amounts, the amendments in the ASU 2015-16 require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017 (July 1, 2017 for the Company). The Company does not believe that the adoption of ASU 2015-16 will have a material impact on its consolidated financial statements.

4. Segments

Historically, the Company had one operating segment. However, in connection with the sale of the Viggie rewards business (discontinued operations) to Perk in February 2016, which represents a significant portion of the Company's assets and revenues, the Company's remaining operations were divided into 3 operating segments, as described below. These segments offer different products and services and are currently presented separately in internal management reports, and managed separately.

Wetpaint: a media channel reporting original news stories and publishing information content covering top television shows, music, celebrities, entertainment news and fashion.

Choose Digital: a business-to-business platform for delivering digital content.

DDGG: a business-to-business operator of daily fantasy sports.

The accounting policies followed by the segments are described in Note 3, Summary of Significant Accounting Policies. The operating segments of the Company include the assets, liabilities, revenues and expenses that management has determined are specifically or primarily identifiable to each segment, as well as direct and indirect costs that are attributable to the operations of each segment. These direct costs are the operational costs that are administered by the Company following the shared services concept. Indirect costs are the costs of support functions that are provided on a centralized or geographic basis by the Company,

which include, but are not limited to, finance, human resources, benefits administration, procurement support, information technology, legal, corporate strategy, corporate governance and other professional services and general commercial support functions.

Central support costs have been allocated to each operating segment based on a specific identification basis or, when specific identification is not practicable, a proportional cost allocation method (primarily based on net sales or direct payroll costs), depending on the nature of the services received. Management considers that such allocations have been made on a reasonable basis, but may not necessarily be indicative of the costs that would have been incurred if the operating segments had been operated on a stand-alone basis for the periods presented.

Information regarding the results of each reportable segment is included below. Performance is measured based on unit profit after tax, as included in the internal management reports that are reviewed by the Chief Operating Decision Maker, who is our CEO. Business unit profit is used to measure performance as management believes that such information is the most relevant in evaluating the success of each business and determining the going forward strategy for the Company as a whole.

Information about reportable segments:

In thousands of U.S. dollars	For The Three Months Ended March 31,							
	Wetpaint		Choose Digital DDGG				Total	
	2016	2015	2016	2015	2016	2015	2016	2015
External revenues	228	707	161	222	98	—	487	929
Inter-segment revenues (1)	—	—	66	350	—	—	66	350
Net loss, net of income taxes (2)	(839	)(1,987)	(401	)(1,005)	(1,201)	—	(2,441	)(2,992

In thousands of U.S. dollars	For The Nine Months Ended March 31,							
	Wetpaint		Choose Digital DDGG				Total	
	2016	2015	2016	2015	2016	2015	2016	2015
External revenues	1,274	2,788	576	676	424	—	2,274	3,464
Inter-segment revenues (1)	—	—	1,285	448	—	—	1,285	448
Net loss, net of income taxes (2)	(31,177)	(7,074)	(4,521)	(3,922)	(2,708)	—	(38,406)	(10,996)

Notes:

(1) The Choose Digital business provides digital content to the Viggle business. These inter-segment revenues are presented at Choose Digital's cost and are eliminated in the consolidated statements of operations.

(2) The net loss figures presented exclude certain corporate expenses detailed in the reconciliation to the consolidated net loss below.

(3) Assets and liabilities are not presented as they are reviewed at the consolidated level by management and not accounted for by segment.

Reconciliation of net loss for reportable segments, net of income taxes to consolidated net loss from continuing operations, net of income taxes:

In thousands of U.S. dollars	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Nine Months Ended March 31, 2016	Nine Months Ended March 31, 2015
Net loss for reportable segments, net of income taxes	(2,441)	(2,992)	(38,406)	(10,996)
Other net gain (loss)	157	(176)	(140)	(629)
	(2,284)	(3,168)	(38,546)	(11,625)
Stock compensation related to corporate financing activities (1)	(2,517)	(5,437)	(11,017)	(16,976)
Corporate expenses allocated to discontinued operations (2)	(124)	(894)	(1,915)	(3,021)
Interest expense (3)	(1,083)	(935)	(2,866)	(1,415)
Consolidated net loss from continuing operations, net of income taxes	(6,008)	(10,434)	(54,344)	(33,037)

Notes:

(1) Stock compensation expense related to RSUs, options and warrants issues in connection with financing activities. Expenses related to financing activities are considered to be corporate expenses and are not allocated to reportable segments.

(2) Certain corporate expenses were allocated to the Viggle segment, however such expenses are not classified as discontinued operations because they are fixed and are not affected by the sales transaction.

(3) Interest expense related to corporate debt instruments is not allocated to reportable segments.

The Company continues to support the cash needs and operations of DDGG. As of March 31, 2016 the Company has transferred \$736 to the DDGG subsidiary. A portion of these transfers, or \$500, was funded as part of the purchase price commitment. The remaining transfers are part of the subscription agreement entered into with DDGG on May 12, 2016 (see Note 16, Subsequent Events).

5. Discontinued Operations

On February 8, 2016, the Company completed the sale of assets related to the Company's rewards business, including Viggle's application, in accordance with the Asset Purchase Agreement with Perk.com, Inc. entered into on December 31, 2015. Management entered into this binding sales agreement following a strategic decision to divest the operations related to the Viggle App and place greater focus on its remaining businesses. The Company has classified the Viggle assets, liabilities and operations as discontinued operations in the accompanying consolidated financial statements for all periods presented. All intercompany transactions and balances have been eliminated.

On December 13, 2015, the Parent entered into an Asset Purchase Agreement with Perk.com, Inc. Perk's shares are currently traded on the Toronto Stock Exchange. On February 8, 2016, pursuant to the Asset Purchase Agreement, the Company completed the sale of the assets related to the Company's rewards business, including Viggle's application, to Perk. The total consideration received net of transaction fees was approximately \$5,110, and consisted of the following:

1,370,000 shares of Perk common stock, a portion of which was placed in escrow to satisfy any potential indemnification claims;

2,000,000 shares of Perk common stock if Perk's total revenues exceed USD \$130,000 for the year ended December 31, 2016 or December 31, 2017;

a warrant entitling the Company to purchase 1,000,000 shares of Perk common stock at a strike price of CDN \$6.25 per share in the event the volume weighted average price ("VWAP") of shares of Perk common stock is greater than or equal to CDN \$12.50 for 20 consecutive trading days in the two year period following the closing of the transaction;

a warrant entitling the Company to purchase 1,000,000 shares of Perk common stock at a strike price of CDN \$6.25 per share in the event that the VWAP of Perk common stock is greater than or equal to CDN \$18.75 for 20 consecutive trading days in the two year period following the closing of the transaction, and

Perk assumed certain liabilities of the Company, consisting of the Viggle points liability.

The Company recognized a gain of \$6,969 on this transactions, net of transaction fees.

Results of operations classified as discontinued operations:

In thousands of U.S. dollars	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Nine Months Ended March 31, 2016	Nine Months Ended March 31, 2015
Revenues	\$376	\$3,617	\$6,285	\$14,387
Cost of watchpoints and engagement points	(203)	(2,758)	(3,434)	(6,948)
Selling, general and administrative expenses	(1,307)	(11,014)	(13,715)	(34,766)
Other income	8,739	—	8,739	—
Income (loss) before income taxes	7,605	(10,155)	(2,125)	(27,327)
Income taxes (see Note 13, Income Taxes)	—	(22)	(43)	(80)
Net income (loss)	\$7,605	\$(10,177)	\$(2,168)	\$(27,407)

Cash flows used in discontinued operations:

In thousands of U.S. dollars	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Nine Months Ended March 31, 2016	Nine Months Ended March 31, 2015
Net cash provided by (used in) operating activities	\$(1,322)	\$(4,502)	\$(5,716)	\$(13,130)
Net cash used in investing activities	—	(151)	—	(422)
Net cash provided by (used in)	\$(1,322)	\$(4,653)	\$(5,716)	\$(13,552)

Assets and liabilities of discontinued operations:

In thousands of U.S. dollars	March 31, June 30,	
	2016	2015
Assets		
Accounts receivable	\$ 450	\$3,281
Prepaid expenses	—	150
Property & equipment, net	—	114
Intangibles assets, net	—	2,630
Goodwill	—	5,201
Other assets	—	40
	450	11,416
Liabilities		
Accounts payable and accrued expenses	4,174	4,249
Reward points payable	—	9,029
Deferred tax liabilities	—	538
	\$ 4,174	\$13,816

6. Acquisitions

Acquisition of Choose Digital

On June 24, 2014, the Company acquired Choose Digital Inc. ("Choose Digital"), a Miami, Florida based, digital marketplace platform that allows companies to incorporate digital content into existing rewards and loyalty programs in support of marketing and sales initiatives.

In connection with the Company's acquisition of Choose Digital, the Company was required to make a contingent payment, which was due within five business days after June 24, 2015, of \$4,792. Such amount was accrued in the accompanying Consolidated Balance Sheets as of June 30, 2015. On July 31, 2015, the Company entered into a Forbearance Agreement with AmossyKlein Family Holdings, LLP ("AmossyKlein"), as representative of the former shareholders of Choose Digital Inc. (the "Stockholders"). The Forbearance Agreement provides that the Company will make monthly installment payments to the Stockholders, beginning on July 31, 2015 and ending on January 29, 2016. Specifically, the Company agreed to pay \$668 on July 31, 2015; \$532 on August 31, 2015; \$528 on September 30, 2015; \$524 on October 31, 2015; \$521 on November 30, 2015; \$517 on December 31, 2015; and \$1,754 on January 29, 2016. The scheduled payments include \$170 of interest and \$82 of legal fee charges. The Company agreed to deliver an affidavit of confession of judgment to be held in escrow by AmossyKlein's counsel in the event the Company does not make such installment payments. The Company made the installment payments through December 2015, but failed to make the payment due on January 29, 2016. On May 12, 2016, the Company and AmossyKlein entered into an amendment to the Forbearance Agreement to provide for the payment of the remaining \$1,754 (see Note 16, Subsequent Events). The balance of the contingent payment at March 31, 2016 was \$1,754, including interest of \$12. Since January 1, 2016 and through March 31, 2016, the Company has recorded additional interest of \$26.

Acquisition of DraftDay.com

On September 8, 2015, the Company and its newly created subsidiary DDGG entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with MGT Capital Investments, Inc. ("MGT Capital") and MGT Sports, Inc. ("MGT Sports"), pursuant to which the Company acquired all of the assets of the DraftDay.com business (the "DraftDay Business") from MGT Capital and MGT Sports. In exchange for the acquisition of the DraftDay Business, the Company paid MGT Sports the following: (a) 1,269,342 shares of the Company's Common Stock, par value \$0.001 per share ("Common Stock"), (b) a promissory note in the amount of \$234 due September 29, 2015, (c) a

promissory note in the amount of \$1,875 due March 8, 2016, and (d) 2,550,000 shares of common stock of DDGG. In addition, in exchange for providing certain transitional services, DDGG will issue to MGT Sports a warrant to purchase 1,500,000 shares of DDGG common stock at an exercise price of \$0.40 per share.

In addition, in exchange for the release of various liens and encumbrances, the Company also agreed to issue to third parties: (a) 84,633 shares of its Common Stock, (b) a promissory note in the amount of \$16 due September 29, 2015 and (c) a promissory note in the amount of \$125 due March 8, 2016, and DDGG issued: (i) 150,000 shares of its common stock and (ii) a warrant to purchase 350,000 shares of DDGG common stock at \$0.40 per share.

Accordingly, the Company issued a total of 1,353,975 shares of Common Stock in connection with the acquisition of the DraftDay Business.

The Company contributed the assets of the DraftDay Business to DDGG, such that the Company now owns a total of 11,250,000 shares of DDGG common stock.

The Asset Purchase Agreement contains customary representations, warranties and covenants of MGT Capital and MGT Sports. In addition, on September 8, 2015, DDGG entered into an agreement with Sportech Racing, LLC (“Sportech”) pursuant to which Sportech agreed to provide certain management services to DDGG in exchange for 9,000,000 shares of DDGG common stock.

As a result of the transactions described above, the Company owns a total of 11,250,000 shares of DDGG common stock, Sportech Inc., an affiliate of Sportech, owns 9,000,000 shares of DDGG common stock, MGT Sports owns 2,550,000 shares of DDGG common stock and an additional third party owns 150,000 shares of DDGG common stock. On September 8, 2015, the various stockholders of DDGG entered into a Stockholders Agreement (the “Stockholders Agreement”). The Stockholders Agreement provides that all stockholders will vote their shares of DDGG common stock for a Board comprised of three members, two of which will be designated by the Company and one of which will be designated by Sportech. As such, the operations of the DraftDay business will be consolidated with the Company's operations from the acquisition date of September 8, 2015 (see Note 11, Stockholders' Equity, for a discussion on non-controlling interest related to the portion of the DraftDay Business that the Company does not own). Mr. Sillerman will serve as the Chairman of DDGG. The Stockholders Agreement also provides customary rights of first refusal for the various stockholders, as well as customary co-sale, drag along and preemptive rights.

In the aggregate, as a result of the transactions described herein, the Company issued promissory notes in the principal amount of \$250 due and paid on September 29, 2015 and in the aggregate principal amount of \$2,000 due March 8, 2016. The Company was not able to make the payment at the due date and on March 24, 2016 converted \$824 of the promissory notes to common stock and \$110 of the promissory notes to a Series D Preferred Stock (see Note 11, Stockholders' Equity (Deficit)). All such notes bear interest at a rate of 5% per annum.

This acquisition has been accounted for under the acquisition method of accounting in accordance with ASC 805, Business Combinations. Under the acquisition method, the consideration transferred is measured at the acquisition closing date. The assets of the DraftDay Business have been measured based on various preliminary estimates using assumptions that the Company's management believes are reasonable utilizing information currently available. Use of different estimates and judgments could yield different results. The Company has performed a preliminary allocation of the purchase price to the underlying net assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with any excess of the purchase price allocated to goodwill. The Company has not completed the analysis of certain acquired assets and assumed liabilities, including, but not limited to, other identifiable intangible assets such as customer lists and technology. However, the Company is continuing its review of these items during the measurement period, and further changes to the preliminary allocation will be recognized as the valuations are finalized. Such valuations are being conducted by a third party valuation expert using Level 3 inputs as described in ASC 820, Fair Value Measurements and Disclosures, that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The operations of this acquisition are not material, and thus, pro forma disclosure are not presented. Goodwill related to the acquisition is expected to be deductible for income tax purposes.

7. Property and Equipment

Property and Equipment consists of the following:

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	March 31, June 30,	
	2016	2015
Leasehold Improvements	\$ 2,710	\$ 2,886
Furniture and Fixtures	588	588
Computer Equipment	456	458
Software	163	5
Total	3,917	3,937
Accumulated Depreciation and Amortization	(2,088)	(1,603)
Property and Equipment, net	\$ 1,829	\$ 2,334

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Depreciation and amortization charged to selling, general and administrative expenses for the three and nine months ended March 31, 2016 amounted to \$124 and \$403, respectively. Depreciation and amortization charged to selling, general and administrative expenses for the three and nine months ended March 31, 2015 amounted to \$75 and \$233, respectively.

8. Intangible Assets and Goodwill

Description	Amortization Period	March 31, 2016		June 30, 2015			
		Amount	Accumulated Amortization	Carrying Value	Accumulated Carrying Value		
Wetpaint technology	60 months	\$4,932	\$ (3,184)	\$ 1,748	\$10,600	\$ (2,336)	\$ 8,264
Wetpaint trademarks	276 months	1,423	(404)	1,019	5,800	(296)	5,504
Wetpaint customer relationships	60 months	917	(822)	95	2,000	(617)	1,383
Wetpaint non-compete agreements	36 months	—	—	—	609	(313)	296
Choose Digital licenses	60 months	829	(544)	285	1,740	(355)	1,385
Choose Digital software	60 months	627	(190)	437	550	(112)	438
DraftDay technology	120 months	2,396	(130)	2,266	—	—	—
Internally generated capitalized software	36 months	—	—	—	1,610	(515)	1,095
Other	various	326	(16)	310	326	(8)	318
Total		\$11,450	\$ (5,290)	\$ 6,160	\$23,235	\$ (4,552)	\$ 18,683

See Note 3, Summary of Significant Accounting Policies, for a discussion of the write-downs recorded with respect to intangible assets related to the Wetpaint and Choose Digital businesses in the quarter ended December 31, 2015. The changes in the gross amounts and useful lives of intangibles related to the Wetpaint and Choose Digital businesses, and to internally generated capitalized software, are a result of these write-downs during the three months ended December 31, 2015, as well as the abandonment of certain technology as of January 1, 2016, and internal development costs.

Amortization of intangible assets included in selling, general and administrative expenses for the three and nine months ended March 31, 2016 amounted to \$219 and \$487, respectively. Amortization of intangible assets included in selling, general and administrative expenses for the three and nine months ended March 31, 2015 amounted to \$498 and \$718, respectively. Future annual amortization expense expected is as follows:

Years ending June 30,

2016	\$208
2017	\$831
2018	\$834
2019	\$834
2020	\$834

Goodwill consists of the following:

Description	Amount
Balance at July 1, 2015	\$30,632
DraftDay preliminary purchase price allocation	2,622
Wetpaint impairment loss	(15,507)
Choose Digital impairment loss	(2,095)
Balance at March 31, 2016	\$15,652

See Note 3, Summary of Significant Accounting Policies, for a discussion of the goodwill impairment losses recorded in relation to Wetpaint and Choose Digital businesses during the three months ended December 31, 2015. There were no impairments recorded during the three months ended March 31, 2016.

9. Loans Payable

Facility Name	Maturity Date	Total Facility Amount	Outstanding Balances	
			March 31, 2016	June 30, 2015
Line of Credit Promissory Note (the "Note")	10/24/17	\$20,000	\$19,666	\$19,516
Unsecured Demand Loans (the "Loans")	On Demand	—	—	1,575
Line of Credit Grid Note (the "Grid Note")	12/31/16	10,000	4,563	3,000
Secured Line of Credit (the "Secured Revolving Loan")	12/31/16	1,500	1,500	—
Secured Line of Credit (the "Secured Revolving Line of Credit")	12/31/16	500	88	—
Total Loans Payable			\$25,817	\$24,091

Line of Credit Promissory Note

On October 24, 2014, the Company and SIC III, a company affiliated with Mr. Sillerman, entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") pursuant to which SIC III agreed to purchase certain securities issued by the Company for a total of \$30,000. Pursuant to the Securities Purchase Agreement, the Company issued a Line of Credit Promissory Note (the "Note"), which provides for a \$20,000 line of credit to the Company (see Note 11, Stockholders' Equity, for a discussion of the remaining \$10,000 of the Securities Purchase Agreement). The Company also agreed to issue to SIC III warrants to purchase 1,000,000 shares of the Company's common stock. The Company issued warrants to purchase 50,000 shares of the Company's common stock for every \$1,000 advanced under the Note. The warrants will be issued in proportion to the amounts the Company draws under the Note. The exercise price of the warrants will be 10% above the closing price of the Company's shares on the date prior to the issuance of the warrants. Exercise of the warrants was subject to approval of the Company's stockholders, which occurred on January 13, 2015.

The Note provides a right for the Company to request advances under the Note from time to time. The Note bears interest at a rate of 12% per annum, payable in cash on a quarterly basis. The Note matures on October 24, 2017. On October 24, 2014, SIC III made an initial advance under the Note in the principal amount of \$4,500. On December 15, 2014, SIC III made an additional advance in the principal amount of \$15,500 pursuant to the terms of the Note (the proceeds of which were used to repay amounts outstanding under the DB Line, as discussed above). As of March 31, 2016, the total outstanding principal amount of the Note was \$20,000. The Note provides for a 3% discount, such that the amount advanced by SIC III was 3% less than the associated principal amount of the advances. Therefore, the net amount actually outstanding under the Note at March 31, 2016, was \$19,666, which includes accretion of the discount of \$266 (the 3% discount of \$600 is being accreted to the principal balance over the life of the Note). From and after the occurrence and during the continuance of any event of default under the Note, the interest rate is automatically

increased to 17% per annum.

In connection with the first drawdown of \$4,500 under the Note, the Company issued SIC III warrants to purchase 225,000 shares of the Company's common stock. These warrants have an exercise price of \$3.51, representing a price equal to 10% above the closing price of the Company's common stock on the day prior to issuance. In connection with the additional drawdown of \$15,500

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under the Note, the Company issued SIC III warrants to purchase 775,000 shares of the Company's common stock. These warrants have an exercise price of \$3.63, representing a price equal to 10% above the closing price of the Company's common stock on the day prior to issuance. The Warrants are exercisable for a period of five years from issuance. Stock compensation expense related to the issuances of warrants to SIC III was \$2,049 during the year ended June 30, 2015.

The Note is not convertible into equity securities of the Company.

The Note also contains certain covenants and restrictions, including, among others, that, for so long as the Note is outstanding, the Company will not, without the consent of the holder of the Note, (i) make any loan or advance in excess of \$500 to any officer, director, employee of affiliate of the Company (except advances and similar expenditures : (a) under the terms of employee stock or option plans approved by the Board of Directors, (b) in the ordinary course of business, consistent with past practice or (c) to its subsidiaries), (ii) incur any indebtedness that exceeds \$1,000 in the aggregate other than indebtedness outstanding under the Note, (iii) guaranty any indebtedness of any unaffiliated third party, (iv) change the principal business of the Company or exit the Company's current business, provided that the foregoing is subject to the Board's compliance with its fiduciary duties, (v) sell, assign, or license material technology or intellectual property of the Company except (a) in the ordinary course of business, consistent with past practice, (b) sales and assignments thereof in any 12 month period that do not have a fair market value in excess of \$500 or (c) in connection with a change of control transaction, (vi) enter into any corporate strategic relationship involving the payment, contribution or assignment by the Company of its assets that have a fair market value in excess of \$1,000 or (vii) liquidate or dissolve the Company or wind up the business of the Company, except in connection with changes of control or merger, acquisition or similar transactions or as approved by the Company's Board in compliance with their fiduciary duties.

Interest expense on the Note was \$607 and \$1,834 for the three and nine months ended March 31, 2016, respectively, and \$593 and \$785 for the three and nine months ended March 31, 2015, respectively.

In connection with the Company's entering into the Perk Credit Agreement (as defined below), SIC III agreed to subordinate payment of the Note to amounts owed to Perk under the Perk Credit Agreement. SIC III also consented to the consummation of the Asset Purchase Agreement with Perk, which required SIC III's consent. In exchange for such consent and such agreement to subordinate, the Company agreed to provide SIC III a security interest in the assets of the Company in connection with amounts outstanding under the Note.

The Company entered into a Security Agreement with SIC III, pursuant to which the Company pledged its assets in connection with such security interest. The foregoing descriptions of the Security Agreement is qualified in its entirety by reference to the full text of the form of Security Agreement.

Unsecured Demand Loans

During the year ended June 30, 2015, Mr. Sillerman made the following demand loans (the "Loans") to the Company:

Date	Amount
12/19/2014	\$2,000
1/14/2015	2,000
1/30/2015	2,000
2/13/2015	750
2/26/2015	1,000
3/2/2015	1,000

3/16/2015	3,000
4/20/2015	1,000
5/5/2015	500
5/14/2015	325

Total	\$13,575
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Each of the Loans bear interest at the rate of 12% per annum. Principal and interest due under the Loans shall be due and payable upon demand. The principal amount of the Loans may be prepaid at any time and from time to time, in whole or in part, without

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premium or penalty. The Company used the proceeds from the Loans to fund working capital requirements and for general corporate purposes.

As discussed in Note 11, Stockholders' Equity, on March 16, 2015, SIC III purchased 7,000 shares of Series C Convertible Preferred Stock pursuant to the Securities Purchase Agreement, for a purchase price of \$7,000. The Company used the \$7,000 proceeds from the sale of 7,000 shares of Series C Convertible Stock to repay \$7,000 in principal amount of the Loans. In addition, the Company used \$798 of the proceeds of the Loan on March 16, 2015 to pay all accrued and unpaid interest on the Loans. On June 1, 2015, the Company repaid an additional \$5,000 in principal amount of the Loans. On July 1, 2015, the Company repaid the remaining \$1,575 in principal amount of the Loans. Accordingly, after the transactions described herein, the total outstanding principal amount of the Loans at March 31, 2016 and June 30, 2015 was \$0 and \$1,575, respectively.

Interest expense on the Loans was \$0 and \$1 for the three and nine months ended March 31, 2016, respectively, and \$171 and \$179 for the three and nine months ended March 31, 2015, respectively.

Line of Credit Grid Note

On June 11, 2015, the Company and Sillerman Investment Company IV, LLC ("SIC IV") entered into a Line of Credit Grid Note (the "Grid Note"). The Grid Note provides a right for the Company to request advances under the Grid Note from time to time in an aggregate amount of up to \$10,000. The Grid Note bears interest at a rate of 12% per annum, payable in cash on the maturity of the Grid Note. From and after the occurrence and during the continuance of any event of default under the Grid Note, the interest rate is automatically increased to 14% per annum.

The Grid Note is not convertible into equity securities of the Company.

In order for the Company to make requests for advances under the Grid Note, the Company must have an interest coverage ratio equal to or greater than 1, unless SIC IV waives this requirement. The interest coverage ratio is calculated by dividing: (a) the Company's net income for the measurement period, plus the Company's interest expense for the measurement period, plus the Company's tax expense for the measurement period, by (b) the Company's interest expense for the measurement period, plus the amount of interest expense that would be payable on the amount of the requested draw for the twelve months following the request for the advance. The measurement period is the twelve months ended as of the last day of the last completed fiscal quarter prior to the request for the advance. The Company currently does not have an interest coverage ratio equal to or greater than 1, so advances would require the SIC IV to waive this requirement. In addition, in order to make requests for advances under the Grid Note, there can be no event of default under the Note at the time of the request for an advance, including that there has been no material adverse change in the business plan or prospects of the Company in the reasonable opinion of SIC IV.

The Company made requests for advances under the Grid Note, and SIC IV made advances to the Company as follows:

Date	Amount
6/11/2015	\$1,000
6/24/2015	2,000
7/31/2015	1,000
8/31/2015	2,000
9/15/2015	1,000
9/29/2015	1,000
10/13/2015	500
10/30/2015	600

11/25/2015 1,000

Total \$ 10,100

On July 1, 2015, the Company repaid \$1,425 of the Grid Note.

On December 3, 2015, the Company and SIC IV entered into a Subscription Agreement pursuant to which SIC IV subscribed for 8,750,000 shares of the Company's common stock at a price of \$0.47 per share. Accordingly, the aggregate purchase price for such shares was \$4,112.

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The Company and SIC IV agreed that SIC IV would pay the purchase price for such shares by reducing the amounts outstanding under the Line of Credit. As of December 3, 2015, there was \$8,675 in outstanding principal amount under the Line of Credit.

Accordingly, the principal amount of the Line of Credit was therefore reduced to \$4,563.

Therefore, the outstanding balance of the Grid Note at March 31, 2016 was \$4,563.

The Grid Note matures on the first to occur of: (a) 12/31/2016 or (b) upon a “Change of Control Transaction.” A “Change of Control Transaction” includes (i) a sale of all or substantially all of the assets of the Company or (ii) the issuance by the Company of common stock that results in any “person” or “group” becoming the “beneficial owner” of a majority of the aggregate ordinary voting power represented by the Company’s issued and outstanding common stock (other than as a result of, or in connection with, any merger, acquisition, consolidation or other business combination in which the Company is the surviving entity following the consummation thereof), excluding transactions with affiliates of the Company.

If an event of default occurs under the Grid Note, SIC IV has the right to require the Company to repay all or any portion of the Grid Note. An event of default is deemed to have occurred on: (i) the non-payment of any of the amounts due under the Grid Note within five (5) Business Days after the date such payment is due and payable; (ii) dissolution or liquidation, as applicable, of the Company; (iii) various bankruptcy or insolvency events shall have occurred, (iv) the inaccuracy in any material respect of any warranty, representation, statement, report or certificate the Company makes to Lender under the Note hereto; (v) the Company contests, disputes or challenges in any manner, whether in a judicial proceeding or otherwise, the validity or enforceability of any material provision in the Grid Note; or (vi) a material adverse change in the business plan or prospects of the Company in the reasonable opinion of SIC IV.

Interest expense on the Grid Note for the three and nine months ended March 31, 2016 was \$138 and \$435, respectively.

In connection with the Company's entering into the Perk Credit Agreement (as defined below), SIC IV agreed to subordinate payment of the Grid Note to amounts owed to Perk under the Perk Credit Agreement. SIC IV also consented to the consummation of the Asset Purchase Agreement with Perk. In exchange for such consent and such agreement to subordinate, the Company agreed to provide SIC IV a security interest in the assets of the Company in connection with amounts outstanding under the Grid Note.

The Company entered into a Security Agreement with SIC IV, pursuant to which the Company pledged its assets in connection with such security interest. The foregoing descriptions of the Security Agreement is qualified in its entirety by reference to the full text of the form of Security Agreement.

Secured Line of Credit

On January 27, 2016, Sillerman Investment Company VI LLC (“SIC VI”), an affiliate of Robert F.X. Sillerman, the Executive Chairman and Chief Executive Officer of the Company, entered into a Secured Revolving Loan agreement (the “Secured Revolving Loan”) with the Company and its subsidiaries, wetpaint.com, Inc. and Choose Digital Inc. (collectively, the “Subsidiaries”), pursuant to which the Company can borrow up to \$1,500. The Secured Revolving Loan bears interest at the rate of 12% per annum. In connection with the Secured Revolving Loan, the Company and the Subsidiaries have entered into a Security Agreement (the “Security Agreement”) with SIC VI, under which the Company and the Subsidiaries have granted SIC VI a continuing security interest in all assets of the Company and the Subsidiaries, with the exception of the Company’s interest in DraftDay Gaming Group, Inc. The Company intends to use the proceeds from the Secured Revolving Loan to fund working capital requirements and for general corporate

purposes in accordance with a budget to be agreed upon by SIC VI and the Company. As of March 31, 2016, \$1,500 has been advanced thereunder.

\$500 Line of Credit

The Company and its subsidiaries wetpaint.com, inc., and Choose Digital, Inc. (the "Subsidiaries") entered into a secured, revolving Line of Credit on March 29, 2016 with SIC VI (the "Secured Revolving Line of Credit"), pursuant to which the Company can borrow up to \$500. The Secured Revolving Line of Credit bears interest at the rate of 12% per annum.

In connection with the Secured Revolving Line of Credit, the Company and the Subsidiaries have entered into a Security Agreement (the "Security Agreement") with SIC VI, under which the Company and the Subsidiaries have granted SIC VI a continuing security interest in all assets of the Company and the Subsidiaries, with the exception of the Company's interest in DraftDay Gaming Group, Inc. The Company intends to use the proceeds from the Secured Revolving Line of Credit to fund working capital requirements and for general corporate purposes in accordance with a budget to be agreed upon by SIC VI and the Company. At March 31, 2016, \$88 had been advanced thereunder.

Related Approvals

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Because each of the transactions referred to in the foregoing sections involved Mr. Sillerman, or an affiliate of his, the transactions were subject to certain rules regarding "affiliate" transactions. As such, each was approved by a Special Committee of the Board of Directors and a majority of the independent members of the Board of Directors of the Company.

Loan from Perk

During the three months ended December 31, 2015, Perk made two advances to the Company as follows:

Date	Amount
12/14/2015	\$ 667
12/23/2015	333
Total	\$ 1,000

On December 13, 2015, the Company entered into a Credit Agreement with Perk pursuant to which Perk provided a \$1,000 line of credit to the Company (the "Perk Credit Agreement"). The Perk Credit Agreement provided for drawdowns pursuant to which Perk made advances to the Company, which totaled \$1,000. The first advance in the amount of \$667 was made on December 14, 2015. The final drawdown of \$333 was made when the Information Statement relating to the transaction was filed with the SEC, which occurred on December 23, 2015. Amounts outstanding under the Perk Credit Agreement bore interest at 12% per annum, with an additional 12% if the Company was in default of its obligations under the Perk Credit Agreement. Amounts outstanding under the Perk Credit Agreement were repaid on February 8, 2016 upon the closing of the sale of the Viggie assets to Perk. The Company was entitled to elect to repay all amounts outstanding pursuant to the Perk Credit Agreement by reducing the number of the shares of Perk common stock payable upon closing of the sale of the Viggie assets to Perk by 130,000 shares. The Company elected to so reduce the number of shares issuable to the Company at the closing of the asset sale transaction. Therefore, Perk agreed to deliver to the Company at closing 1,370,000 shares of Perk common stock, rather than 1,500,000 shares, and in return the amounts outstanding under the Perk Credit Agreement were deemed repaid in full.

Therefore, the outstanding balance of the loan from Perk was \$0 at March 31, 2016. No interest expense was recorded by the Company for the three and nine months ended March 31, 2016.

In connection with the Perk Credit Agreement, the Company also entered into a Security Agreement, pursuant to which the Company provided Perk with a security interest in its assets to secure repayment of amounts outstanding under the Perk Credit Agreement. As the amounts payable under the Perk Credit Agreement have now been settled in full, the Security Agreement has been terminated.

10. Commitments and Contingencies

Litigation

On November 4, 2015, Virtual Gaming Technologies, Inc. filed suit against DraftDay Gaming Group, Inc. The Company believes that it does not infringe the patents at issue. A settlement agreement was signed on January 14, 2016, and this matter is now concluded.

On December 22, 2015, Global Interactive Media, Inc. ("Global") served the Company with a lawsuit alleging infringement of certain of Global's patents. The Company has entered into a settlement agreement and the matter is now closed.

On March 2, 2016, the Company was served with a Notice of Petition of Non-Payment (the "Notice") by 902 Associates, its landlord at 902 Broadway, New York. The Notice refers to unpaid rent in the amount of \$226 and calls for eviction of the Company from the premises at 902 Broadway. The Company settled with 902 Associates on April 19, 2016 and has agreed to pay 902 Associates \$50 a month for the arrears and make all rent payments as they come due.

Pandera Systems, LLC ("Pandera"), which formerly provided analytics development services to the Company, filed suit on March 11, 2016 against the Company to demand collection of amounts due for such services. The Company settled this matter on April 12, 2016.

North America Photon Infotech Ltd. (“Photon”), a company based in Mauritius that had provided development services to the Company, filed suit in California on March 28, 2016 to collect approximately \$218 owed by the company to Photon. The Company settled this matter on May 12, 2016.

Pandora Media, Inc., (“Pandora”) a prior marketing provider for the Company, filed suit in California on March 29, 2016 to collect approximately \$125 owed by the Company to Pandora. The Company intends to vigorously defend the action. The Company is in settlement discussions with Pandora.

On April 25, 2016, Carpathia Hosting, LLC (“Carpathia”), which formerly provided hosting services to the Company, filed suit in the Eastern District of Virginia to demand collection of \$658 due. The Company intends to vigorously defend the suit.

Coda Search LLC, a former vendor of the Company, served the Company with a lawsuit on May 9, 2016 to collect \$27 owed to it. The Company settled this matter on May 13, 2016.

The Company is subject to litigation and other claims that arise in the ordinary course of business. While the ultimate result of our outstanding legal matters cannot presently be determined, the Company does not expect that the ultimate disposition will have a material adverse effect on its results of operations or financial condition. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. As such, there can be no assurance that the final outcome will not have a material adverse effect on the Company's financial condition and results of operations.

11. Stockholders' Equity

Common Stock

As of March 31, 2016 and June 30, 2015, there were 300,000,000 shares of authorized common stock, and 36,639,383 and 23,383,125 shares of common stock issued and outstanding, respectively. Except as otherwise provided by Delaware law, the holders of the Company's common stock are entitled to one vote per share on all matters to be voted upon by the stockholders.

Preferred Stock

The Company has authorized four series of preferred stock, including classes of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock. At this time, there is no Series A or Series B preferred stock outstanding. Only Series C and Series D Preferred Stock are outstanding, as described below.

Series A Convertible Redeemable Preferred Stock

Prior to September 16, 2013, the Company had authorized a class of series A preferred shares, but none of those shares were issued or outstanding. On September 16, 2013, the Company eliminated the prior class of series A preferred shares and created a new class of Series A Convertible Redeemable Preferred Stock (the “Series A Convertible Redeemable Preferred Stock”). The Company authorized the issuance of up to 100,000 shares of the Series A Convertible Redeemable Preferred Stock. The designation, powers, preferences and rights of the shares of Series A Convertible Redeemable Preferred Stock and the qualifications, limitations and restrictions thereof are summarized as follows:

- The shares of Series A Convertible Redeemable Preferred Stock have an initial stated value of 1,000 per share (the “Stated Value”).

The shares of Series A Convertible Redeemable Preferred Stock are entitled to receive quarterly cumulative dividends at a rate equal to 7% per annum of the Stated Value whenever funds are legally available and when and as declared by the Company's board of directors. If the Company declares a dividend or the distribution of its assets, the holders of Series A Convertible Redeemable Preferred Stock shall be entitled to participate in the distribution to the same extent as if they had converted each share of Series A Convertible Redeemable Preferred Stock held into Company common stock.

• Each share of Series A Convertible Redeemable Preferred Stock is convertible, at the option of the holders, into shares of Company common stock at a conversion price of \$1.15.

The Company may redeem any or all of the outstanding Series A Convertible Redeemable Preferred Stock at any time at the then current Stated Value, subject to a redemption premium of (i) 8% if redeemed prior to the one year anniversary of the initial issuance date; (ii) 6% if redeemed on or after the one year anniversary of the initial issuance date and prior

to the two year anniversary of the initial issuance date; (iii) 4% if redeemed on or after the two year anniversary of the initial issuance date and prior to the three year anniversary of the initial issuance date; (iv) 2% if redeemed on or after the three year anniversary of the initial issuance date and prior to the 42 months anniversary of the initial issuance date; and (v) 0% if redeemed on or after the 42 months anniversary of the initial issuance date. However, no premium shall be due on the use of up to 33% of proceeds of a public offering of common shares at a price of \$1.00 or more per share.

The Company is required to redeem the Series A Convertible Redeemable Preferred Stock on the fifth anniversary of its issuance.

Upon a change of control of the Company, the holders of Series A Convertible Redeemable Preferred Stock shall be entitled to a change of control premium of (i) 8% if redeemed prior to the one year anniversary of the initial issuance date; (ii) 6% if redeemed on or after the one year anniversary of the initial issuance date and prior to the two year anniversary of the initial issuance date; (iii) 4% if redeemed on or after the two year anniversary of the initial issuance date and prior to the three year anniversary of the initial issuance date; (iv) 2% if redeemed on or after the three year anniversary of the initial issuance date and prior to the 42 months anniversary of the initial issuance date; and (v) 0% if redeemed on or after the 42 months anniversary of the initial issuance date.

The shares of Series A Convertible Redeemable Preferred Stock are senior in liquidation preference to the shares of Company common stock.

The shares of Series A Convertible Redeemable Preferred Stock shall have no voting rights except as required by law. The consent of the holders of 51% of the outstanding shares of Series A Convertible Redeemable Preferred Stock shall be necessary for the Company to: (i) create or issue any Company capital stock (or any securities convertible into any Company capital stock) having rights, preferences or privileges senior to or on parity with the Series A Convertible Redeemable Preferred Stock; or (ii) amend the Series A Convertible Redeemable Preferred Stock.

Series B Convertible Preferred Stock
On September 16, 2013, the Company created 50,000 shares of Series B Convertible Preferred Stock (the "Series B Convertible Preferred Stock"). The designation, powers, preferences and rights of the shares of Series B Convertible Preferred Stock and the qualifications, limitations and restrictions thereof are summarized as follows:

The shares of Series B Convertible Preferred Stock have an initial stated value of \$1,000 per share.

The shares of Series B Convertible Preferred Stock are convertible, at the option of the holders, into shares of Company common stock at a conversion price of \$1.15. The shares of Series B Convertible Preferred Stock may only be converted from and after the earlier of either of: (x) the first trading day immediately following (i) the closing sale price of the Company's common stock being equal to or greater than \$1.67 per share (as adjusted for stock dividends, stock splits, stock combinations and other similar transactions occurring with respect to the Company's common stock from and after the initial issuance date) for a period of five consecutive trading days following the initial issuance date and (ii) the average daily trading volume of the Company's common stock (as reported on Bloomberg) on the principal securities exchange or trading market where the Company's common stock is listed or traded during the measuring period equaling or exceeding 25,000 shares of Company's common stock per trading day (the conditions set forth in the immediately preceding clauses (i) and (ii) are referred to herein as the "Trading Price Conditions") or (y) immediately prior to the consummation of a "fundamental transaction", regardless of whether the Trading Price Conditions have been satisfied prior to such time. A "fundamental transaction" is defined as (i) a sale of all or substantially all of the assets of the Company, (ii) a sale of at least 90% of the shares of capital stock of the Company or (iii) a merger, consolidation or other business combination as a result of which the holders of capital stock of the Company prior to such merger, consolidation or other business combination (as the case may be) hold in the aggregate less than 50% of the Voting Stock of the surviving entity immediately following the consummation of such merger, consolidation or other business combination (as the case may be), in each case of clauses (i), (ii) and (iii), the Board has determined that the aggregate implied value of the Company's capital stock in such transaction is equal to or greater than \$125,000.

The shares of Series B Convertible Preferred Stock are not redeemable by either the Company or the holders thereof.

The shares of Series B Convertible Preferred Stock are on parity in dividends and liquidation preference with the shares of Company common stock, which shall be payable only if then convertible into common stock.

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•The shares of Series B Convertible Preferred Stock shall have no voting rights except as required by law.

•The consent of the holders of 51% of the outstanding shares of Series B Convertible Preferred Stock shall be necessary for the Company to alter, amend or change any of the terms of the Series B Convertible Preferred Stock.

At March 31, 2016 and June 30, 2015, there were no shares of Series A Convertible Redeemable Preferred Stock and Series B Convertible Preferred Stock outstanding.

Series C Convertible Redeemable Preferred Stock

On October 24, 2014, the Company created a new class of Series C Convertible Redeemable Preferred Stock (the “Series C Convertible Redeemable Preferred Stock”). The Company authorized the issuance of up to 100,000 shares of the Series C Convertible Redeemable Preferred Stock. The rights, preferences, privileges and restrictions of the shares of Series C Convertible Preferred Stock and the qualifications, limitations and restrictions thereof are summarized as follows:

•The shares of Series C Convertible Redeemable Preferred Stock have a stated value of \$1,000 per share.

Each holder of a share of Series C Convertible Redeemable Preferred Stock shall be entitled to receive dividends (“Dividends”) on such share equal to twelve percent (12%) per annum (the “Dividend Rate”) of the Stated Value before any Dividends shall be declared, set apart for or paid upon any junior stock or parity stock. Dividends on a share of Series C Convertible Redeemable Preferred Stock shall accrue daily at the Dividend Rate, commence accruing on the issuance date thereof, compound annually, be computed on the basis of a 360-day year consisting of twelve 30-day months and be convertible into common stock in connection with the conversion of such share of Series C Convertible Redeemable Preferred Stock.

Each share of Series C Convertible Redeemable Preferred Stock is convertible, at the option of the holders, on the basis of its stated value and accrued, but unpaid dividends, into shares of Company common stock at a conversion price of \$4.00 per common share.

The Company may redeem any or all of the outstanding Series C Convertible Redeemable Preferred Stock at any time at the then current Stated Value plus accrued Dividends thereon plus a redemption premium equal to the Stated Value multiplied by 6%. However, no premium shall be due on the use of up to 33% of proceeds of a public offering of common shares at a price of \$5.00 or more per share.

The Company is required to redeem each Series C Convertible Redeemable Preferred Stock on the tenth business day immediately following the fifth anniversary of its issuance. However, the Company shall have no obligation to mandatorily redeem any shares of Series C Convertible Redeemable Preferred Stock at any time that (x) the Company does not have surplus under Section 154 of the Delaware General Corporation Law (the “DGCL”) or funds legally available to redeem all shares of Series C Convertible Redeemable Preferred Stock, (y) the Company's capital is impaired under Section 160 of the DGCL or (z) the redemption of any shares of Series C Convertible Redeemable Preferred Stock would result in an impairment of the Company's capital under Section 160 of the DGCL; provided, that if the Company is prohibited from redeeming the shares due to those limitations, the Company will redeem the Shares as soon as possible after such restrictions are no longer applicable.

•Upon a change of control of the Company, each holder of Series C Convertible Redeemable Preferred Stock shall be entitled to require the Company to redeem from such holder all of such holder's shares of Series C Convertible Redeemable Preferred Stock so long as such holder requests such redemption in writing at least one business day prior to the consummation of such change of control. The redemption amount per share equals the Stated Value thereof

plus accrued Dividends plus a change of control premium equal to the stated value multiplied 6%.

The shares of Series C Convertible Redeemable Preferred Stock are senior in liquidation preference to all shares of capital stock of the Company unless otherwise consented to by a majority of the holders of shares of Series C Convertible Redeemable Preferred Stock.

The shares of Series C Convertible Redeemable Preferred Stock shall have no voting rights except as required by law.

The consent of the holders of a majority of the shares of Series C Convertible Redeemable Preferred Stock is necessary for the Company to amend the Series C certificate of designation.

The Series C Convertible Redeemable Preferred Stock is not classified as a component of stockholders' equity in the accompanying consolidated balance sheets. Likewise, the undeclared dividends related to Series C Convertible Redeemable Preferred Stock have been recorded as an addition within the Series C Convertible Preferred Stock account in the amount of \$303 and \$916 for the three and nine months ended March 31, 2016, and \$99 and \$164 for the three and nine months ended March 31, 2015.

Series D Convertible Preferred Stock

On March 24, 2016, the Company created a new class of Series D Convertible Redeemable Preferred Stock (the "Series D Convertible Preferred Stock"). The Company authorized the issuance of up to 110 shares of the Series D Convertible Preferred Stock. The rights, preferences, privileges and restrictions of the shares of Series D Convertible Preferred Stock and the qualifications, limitations and restrictions thereof are summarized as follows:

¶The shares of Series D Convertible Preferred Stock have a stated value of \$1,000 per share.

•Each share of Series D Convertible Preferred Stock is convertible, at the option of the holders, at a rate of 3,333 shares of common stock for one share of converted Series D Convertible Preferred Stock.

§Shares of Series D Convertible Preferred Stock are not entitled to a liquidation preference.

Conversions of the Series D Convertible Preferred Stock shall be limited such that any given conversion shall not cause the holder's aggregate beneficial ownership of the shares of common stock to exceed 9.99% of the Company's outstanding common stock.

- The shares of Series D Convertible Preferred Stock shall have no voting rights except as required by law.

•The consent of the holders of a majority of the shares of Series D Convertible Preferred Stock is necessary for the Company to amend the Series D certificate of designation.

The Series D Convertible Preferred Stock is classified as a component of stockholders' equity in the accompanying consolidated balance sheets. At March 31, 2016, there were 110 shares of Series D Convertible Preferred Stock outstanding.

Securities Purchase Agreement

Pursuant to the Securities Purchase Agreement discussed in Note 9, Loans Payable, SIC III acquired a total of 10,000 Shares of Series C Convertible Redeemable Preferred Stock for \$10,000. The Company also agreed to issue to SIC III warrants to purchase a total of 500,000 shares of the Company's common stock. The Company issued warrants to purchase 50,000 shares of the Company's common stock for every \$1,000 of purchase price paid for the shares. The exercise price of the warrants was 10% above the closing price of the Company's shares on the date prior to the issuance of the warrants. Exercise of the warrants was subject to approval of the Company's stockholders, which occurred on January 13, 2015.

On November 25, 2014, SIC III purchased 3,000 shares of Series C Convertible Redeemable Preferred Stock for \$3,000. The shares of Series C Convertible Redeemable Preferred Stock were recorded in the accompanying consolidated balance sheet at its fair value as of the date of the purchase of November 25, 2014. In addition, in accordance with the Securities Purchase Agreement, the Company also issued SIC III warrants to purchase 150,000 shares of the Company's common stock at an exercise price of \$2.98, which was 10% above the closing price of the

Company's shares on the date prior to issuance.

On March 16, 2015, SIC III purchased 7,000 additional shares of Series C Convertible Redeemable Preferred Stock for \$7,000. The shares of Series C Convertible Redeemable Preferred Stock were recorded in the accompanying consolidated balance sheet at its fair value as of the date of the purchase of March 16, 2015. In addition, in accordance with the Securities Purchase Agreement, the Company also issued SIC III warrants to purchase 350,000 shares of the Company's common stock at an exercise price of \$1.78, which was 10% above the closing price of the Company's shares on the date prior to issuance.

In connection with the Securities Purchase Agreement, the Company recorded total stock compensation expense based on the fair value of the Series C Convertible Redeemable Preferred Stock and warrants of \$2,091 during the year ended June 30, 2015.

Subscription Agreement

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On December 3, 2015, the Company and SIC IV entered into a Subscription Agreement pursuant to which SIC IV subscribed for 8,750,000 shares of the Company's common stock at a price of \$0.47 per share. Accordingly, the aggregate purchase price for such shares was \$4,112.

Non-controlling Interest

As discussed in Note 6, Acquisitions, on September 8, 2015, the Company acquired the assets of the DraftDay Business and its operations have been consolidated with the Company's operations as of that date. The Company has recorded non-controlling interest in its Consolidated Balance Sheets and Consolidated Statements of Operations for the portion of the DraftDay Business that the Company does not own. In the quarter ended March 31, 2016, Sportech invested an additional \$93 into the DraftDay Business in exchange for shares of Series A Preferred Stock of DDGG for \$1 per share.

12. Share-Based Payments

Equity Incentive Plan

The 2011 Executive Incentive Plan (the "Plan") of the Company was approved on February 21, 2011 by the written consent of the holder of a majority of the Company's outstanding common stock. The Plan provides the Company the ability to grant to any officer, director, employee, consultant or other person who provides services to the Company or any related entity, options, stock appreciation rights, restricted stock awards, dividend equivalents and other stock-based awards and performance awards, provided that only employees are entitled to receive incentive stock options in accordance with IRS guidelines. The Plan provides for the issuance of a maximum of 6,250,000 shares of common stock. Pursuant to the Executive Incentive Plan and the employment agreements, between February 15, 2011 and March 31, 2016, the Compensation Committee of the Company's Board of Directors authorized the grants of restricted stock and stock options described below.

Restricted Stock

The per share fair value of RSUs granted with service conditions was determined on the date of grant using the fair market value of the shares on that date and is recognized as an expense over the requisite service period.

The following table summarizes the Company's RSU activity for nine months ended March 31, 2016:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at July 1, 2015	357,685	\$ 52.23
Granted	351,427	1.63
Vested	(330,489)	54.10
Forfeited and canceled	(152,447)	3.65
Nonvested at March 31, 2016	226,176	\$ 4.71

Compensation expense related to restricted stock was \$11,952 and \$19,252 for the nine months ended March 31, 2016 and 2015, respectively. As of March 31, 2016, there was \$479 in total unrecognized share-based compensation costs related to restricted stock.

Stock Options

The following table summarizes the Company's stock option activity for nine months ended March 31, 2016:

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	Number of average Options	Weighted exercise price
Outstanding at July 1, 2015	1,181,630	\$ 11.18
Granted	235,333	0.46
Exercised	—	—
Forfeited and canceled	(359,330)	6.01
Outstanding at March 31, 2016	1,057,633	\$ 10.63
Exercisable at March 31, 2016	959,561	\$ 11.20

The Company is accounting for these options at fair market value of the options on the date of grant, with the value being recognized over the requisite service period. The fair value of each option award is estimated using a Black-Scholes option valuation model. Expected volatility is based on the historical volatility of the price of comparable companies' stock. The risk-free interest rate is based on U.S. Treasury issues with a term equal to the expected life of the option. The Company uses historical data to estimate expected dividend yield, expected life and forfeiture rates. Options generally have an expiration of 10 years and vest over a period of 3 or 4 years. There were 235,333 and 310,335 options granted during the nine months ended March 31, 2016 and 2015, respectively. The fair value of the options granted during the nine months ended March 31, 2016 and March 31, 2015 were estimated based on the following weighted average assumptions:

	Nine Months Ended March 31, 2016	Nine Months Ended March 31, 2015
Expected volatility	80 %	80 %
Risk-free interest rate	1.94 %	2.04 %
Expected dividend yield	—	—
Expected life (in years)	6.50	6.50
Estimated fair value per option granted	\$0.33	\$2.55

Compensation expense related to stock options of \$380 and \$3,700 is included in the accompanying Consolidated Statements of Operations in selling, general and administrative expenses for the nine months ended March 31, 2016 and 2015, respectively. As of March 31, 2016, there was approximately \$185 of total unrecognized stock-based compensation cost which will generally be recognized over a four year period.

13. Income Taxes

For the nine months ended March 31, 2016 and 2015, the Company did not record an income tax benefit because it has incurred taxable losses and has no history of generating taxable income and therefore the Company cannot presently anticipate the realization of a tax benefit on its Net Operating Loss carryforward. At March 31, 2016 the Company has a Net Operating Loss carryforward of approximately \$182,000, which will begin to expire in 2030. The Company has evaluated its income tax positions and has determined that it does not have any uncertain tax positions. The Company will recognize interest and penalties related to any uncertain tax positions through its income tax expense.

The Company may in the future become subject to federal, state and local income taxation though it has not been since its inception. The Company is not presently subject to any income tax audit in any taxing jurisdiction.

14. Related Party Transactions

Shared Services Agreements

In an effort to economize on costs and be efficient in its use of resources, the Company entered into a shared services agreement with Circle Entertainment Inc. ("Circle") as of February 15, 2011, pursuant to which it shares costs for legal and administrative services in support of Mitchell J. Nelson, its then-General Counsel and General Counsel to Circle. The shared services agreement provides, in general, for sharing of the applicable support provided by either company to Mr. Nelson in connection with his capacity as General Counsel. The Company is responsible for advancing the salary to legal and administrative personnel supporting Mr. Nelson for both companies and will be reimbursed by Circle for such salary and benefits (but not for any bonus, option or restricted share grant made by either company, which will be the responsibility of the company making such bonus, option or restricted

share grant). The agreement provides for the Chief Executive Officer or President of each Company to meet periodically to assess whether the services have been satisfactorily performed and to discuss whether the allocation has been fair. The Audit Committee of each company's Board of Directors will then review and, if appropriate, approve the allocations made and whether payments need to be adjusted or reimbursed, depending on the circumstances. Because this transaction is subject to certain rules regarding "affiliate" transactions, the Audit Committee and a majority of the independent members of the Company's Board of Directors have approved the shared services agreement. This is deemed to be an affiliate transaction because Mr. Sillerman is the former Chairman, a Board member, and a greater than 10% stockholder of Circle and Mr. Nelson is Executive Vice President and General Counsel of Circle. For the nine months ended March 31, 2016 and 2015, the Company billed Circle \$14 and \$20, respectively. Such billings primarily relate to support consisting of legal and administrative services. These services are to be reviewed and, if appropriate, approved by Circle's Audit Committee and the Company's Audit Committee. The balance due from Circle as of March 31, 2016 and June 30, 2015 was \$0 and \$113, respectively. The Company wrote-off the accounts receivable balance of \$127 in the quarter ended March 31, 2016, the write-off appears as a bad debt expense on the consolidated statements of operation.

The parties terminated the Circle Shared Services Agreement effective as of January 1, 2016. Circle is in the process of liquidation and any claim to be made under the Circle Shared Services Agreement will survive the termination of the Circle Shared Services Agreement.

The Company also entered into a shared services agreement with SFX, pursuant to which it shares costs for services provided by several of the Company's and/or SFX's employees. Such employees will continue to be paid by their current employers, and SFX will reimburse the Company directly for its portion of such salary and benefits and Company will reimburse SFX directly for its portion of such salary and benefits (but not for any bonus, option or restricted share grant made by either company, which will be the responsibility of the company making such bonus, option or restricted share grant). The Audit Committee of each company's Board of Directors reviews and, if appropriate, approves the allocations made and whether payments need to be adjusted or reimbursed, depending on the circumstances. The Company entered into an amendment (the "Amendment") to the shared services agreement on January 22, 2015, pursuant to which the Company may provide additional services to SFX, and SFX may provide certain services to the Company. In particular, the shared services agreement provides that, in addition to services already provided, certain employees of the Company may provide human resources, content and programming, and facilities services to SFX, subject to reimbursement based on salary and benefits for the employees providing the services, plus 20% for miscellaneous overhead, based on a reasonable estimate of time spent. In addition, the Amendment provides that SFX may provide certain tax services to the Company, subject to reimbursement based on salary and benefits for the employees providing the services, plus 20% for miscellaneous overhead, based on a reasonable estimate of time spent.

The parties terminated the SFX Shared Services Agreement effective as of January 1, 2016. We continue to try to settle amounts remaining outstanding.

For the three and nine months ended March 31, 2016, the Company was billed by SFX \$42 and \$167, net of amounts billed by the Company to SFX, respectively. The net balance due (to)/from SFX, including amounts related to the Sales Agency Agreement, discussed below, as of March 31, 2016 and June 30, 2015 was \$(139) and \$135, respectively.

Sales Agency Agreement

On January 22, 2015, the Company entered into a sales agency agreement (the "Sales Agreement") with SFX-94 LLC ("SFX-94"), a subsidiary of SFX, pursuant to which the Company appoints SFX-94 as its exclusive sales agent for the sale of advertising and sponsorships. Pursuant to the Sales Agreement, the Company consented to SFX-94's hiring of 25 members of the Company's sales team, and SFX-94 agreed that it will sell advertising and sponsorships on behalf of the Company during the term of the Sales Agreement. SFX-94 also agreed that it will maintain adequate staffing

levels, generally consistent with staffing levels currently maintained by the Company, for the Company's sale of advertising and sponsorships. The Company will pay SFX-94 a 25% commission on sales made by SFX-94. For barter transactions, the Company will reimburse SFX-94 for any out of pocket and direct costs incurred by SFX-94 with respect to such barter sales (rather than the commission set forth above), and third party ad networks will be excluded from the Sales Agreement. For the nine months ended March 31, 2016, the Company was billed \$432 in connection with the Sales Agreement. On September 22, 2015, the parties terminated the Sales Agreement, and the Company subsequently hired 8 members of the SFX sales team as of that date.

DraftDay

In October 2015 the Company entered into an agreement with DDGG to expand its rewards catalog and offer to its users the opportunity to redeem Viggle points for entry to DDGG's fantasy sports contests. The Company agreed to pay DDGG the value of the entry fees for which points were redeemed. For the nine months ended March 31, 2016, \$39 worth of Viggle points were redeemed for DDGG contest entry fees.

License Agreement

On March 10, 2014, the Company entered into an audio recognition and related loyalty program software license and services agreement with SFX. Pursuant to the terms of the license agreement, SFX paid the Company \$5,000 to license its audio recognition software and related loyalty platform for a term of 10 years. The amount was deferred and is being amortized over the ten years period. For the three months ended March 31, 2016 and 2015, the Company recognized \$125 and \$125, respectively, of revenue related to this agreement. For the nine months ended March 31, 2016 and 2015, the Company recognized \$375 and \$375, respectively, of revenue related to this agreement.

Lines of Credit

See Note 9, Loans Payable, for a description of certain loans which have been provided by related parties. In addition, see Note 16, Subsequent Events, for additional discussion of certain related party transactions.

As described in Note 9, Loans Payable, on December 3, 2015, the Company and SIC IV entered into a Subscription Agreement pursuant to which SIC IV subscribed for 8,750,000 shares of the Company's common stock at a price of \$0.47 per share. Accordingly, the aggregate purchase price for such shares was \$4,112. The Company and SIC IV agreed that SIC IV would pay the purchase price for such shares by reducing the amounts outstanding under the Line of Credit. As of December 3, 2015, there was \$8,675 in outstanding principal amount under the Line of Credit. Accordingly, the principal amount of the Line of Credit was therefore reduced to \$4,563.

Secured Line of Credit

On January 27, 2016, Sillerman Investment Company VI LLC ("SIC VI"), an affiliate of Robert F.X. Sillerman, the Executive Chairman and Chief Executive Officer of the Company, entered into a secured revolving loan agreement (the "Secured Revolving Loan") with the Company and its subsidiaries, wetpaint.com, Inc. and Choose Digital Inc. (collectively, the "Subsidiaries"), pursuant to which the Company can borrow up to \$1,500. The Secured Revolving Loan bears interest at the rate of 12% per annum. In connection with the Secured Revolving Loan, the Company and the Subsidiaries have entered into a Security Agreement (the "Security Agreement") with SIC VI, under which the Company and the Subsidiaries have granted SIC VI a continuing security interest in all assets of the Company and the Subsidiaries, with the exception of the Company's interest in DraftDay Gaming Group, Inc. The Company intends to use the proceeds from the Secured Revolving Loan to fund working capital requirements and for general corporate purposes in accordance with a budget to be agreed upon by SIC VI and the Company. As of March 31, 2016, \$1,500 has been advanced thereunder. Because Mr. Sillerman is a director, executive officer and greater than 10% stockholder of the Company, a majority of the Company's independent directors approved the transaction.

\$500 Line of Credit

The Company and its subsidiaries wetpaint.com, inc., and Choose Digital, Inc. (the "Subsidiaries") entered into a secured, revolving Line of Credit on March 29, 2016 with SIC VI (the "Secured Revolving Line of Credit"), pursuant to which the Company can borrow up to \$500. The Secured Revolving Line of Credit bears interest at the rate of 12% per annum.

In connection with the Secured Revolving Line of Credit, the Company and the Subsidiaries have entered into a Security Agreement (the "Security Agreement") with SIC VI, under which the Company and the Subsidiaries have granted SIC VI a continuing security interest in all assets of the Company and the Subsidiaries, with the exception of the Company's interest in DraftDay Gaming Group, Inc. The Company intends to use the proceeds from the Secured Revolving Line of Credit to fund working capital requirements and for general corporate purposes in accordance with a budget to be agreed upon by SIC VI and the Company. At March 31, 2016, \$88 had been advanced thereunder.

Related Approvals

Because the above transactions were subject to certain rules regarding “affiliate” transactions, the Company's Audit Committee and a majority of the independent members of the Company's Board of Directors approved each of these transactions.

15. Fair Value Measurement

The Company values its assets and liabilities using the methods of fair value as described in ASC 820, Fair Value Measurements and Disclosures. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of fair value hierarchy are described below:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

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Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, and considers counter-party credit risk in its assessment of fair value. Observable or market inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s assumptions based on the best information available. The Company has certain liabilities that are required to be recorded at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States, as described below.

The Company issued 21,364 warrants in connection with the May 10, 2012 PIPE. Each warrant has a sale price of \$440 and is exercisable into 1 share of common stock at a price of \$640 over a term of three years. Further, the exercise price of the warrants is subject to "down round" protection, whereby any issuance of shares at a price below the current price resets the exercise price equal to a the price of newly issued shares (the "Warrants"). In connection with the PIPE Exchanges on September 16, 2013, the exercise price of the Warrants was reset to \$92. The fair value of such warrants has been determined utilizing the Binomial Lattice Model in accordance with ASC 820-10, Fair Value Measurements. The fair value of the warrants when issued was \$5,281. On September 16, 2013, 6,818 warrants were exchanged in connection with the PIPE Exchanges. The remaining 14,545 warrants were marked to market as of March 31, 2016 and 2015 to a fair value of \$10 and \$10, respectively. The Company recorded gains/(losses) of \$0 and \$(5) to other income, net in the Consolidated Statements of Operations for the nine months ended March 31, 2016 and 2015, respectively. The fair value of the warrant is classified as a current liability on the Consolidated Balance Sheet as of March 31, 2016, due to the Company's intention to retire a significant portion of these warrants in its next round of financing. The Company's warrants were classified as a Level 3 input within the fair value hierarchy because they were valued using unobservable inputs and management's judgment due to the absence of quoted market prices and inherent lack of liquidity.

The Company estimated the fair value of contingent consideration for the acquisition of Choose Digital to be \$4,792 as of June 30, 2015. The fair value of the contingent consideration was classified as Level 3 within the fair value hierarchy because it was valued using unobservable inputs and management's judgment. See Note 6, Acquisitions, for details related to payments made on the contingent consideration during the nine months ended March 31, 2016.

On February 8, 2016, the Company received Perk warrants as part of the consideration in the sale of the Viggie business. The carrying amount of Perk warrants held is marked-to-market on a quarterly basis using the Monte Carlo valuation model, in accordance with ASC 820-10, Fair Value Measurements. The changes to fair value are recorded in the income statement. The fair value of the warrants when issued was \$1,023. The warrants were marked to market as of March 31, 2016 to a fair value of \$1,091. The Company recorded a gain of \$68 to other income, net in the Consolidated Statements of Operations for the nine months ended March 31, 2016. The fair value of the warrant is classified as an other asset on the Consolidated Balance Sheet as of March 31, 2016. The Perk warrants were classified as a Level 3 input within the fair value hierarchy because they were valued using unobservable inputs and management's judgment due to the absence of quoted market prices and inherent lack of liquidity.

The following table presents a reconciliation of items measured at fair value on a recurring basis using unobservable inputs (level 3):

(in
thousands)

Balance at July 1, 2015	\$ 4,802
Perk warrants	1,091
Contingent consideration payments	(3,050)
Balance at March 31, 2016	\$ 2,843

16. Subsequent Events

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Secured Lines of Credit

The Company and its subsidiaries Wetpaint.com, Inc., and Choose Digital, Inc. (the "Subsidiaries") entered into a secured, revolving Line of Credit on March 29, 2016 with SIC VI, pursuant to which the Company can borrow up to \$500. The Company drew \$88 on this line on March 29, 2016. Thereafter, the Company drew an additional \$412 on this line since April 1, 2016 and through the date of this filing (see Note 9, Loans Payable).

On April 29, 2016, SIC VI entered into an additional secured revolving loan agreement with the Company and the Subsidiaries, pursuant to which the Company can borrow up to \$500. Loans under this loan agreement bear interest at the rate of 12% per annum and mature on December 31, 2016, barring any events of default or a change of control of the Company. As of April 1, 2016 and through the date of this filing \$305 had been advanced thereunder.

Because the above transactions were subject to certain rules regarding "affiliate" transactions, the independent members of the Company's Board of Directors approved each of these transactions.

Rant Term Sheet

On April 29, 2016, we entered into a Binding Term Sheet (the "Binding Term Sheet") with Rant, Inc. ("Rant"). In connection with the Binding Term Sheet, we agreed to purchase the assets of the Rant business (the "Transaction"). As consideration for the assets, Rant will receive the following consideration:

- \$5,000 cash (the "Cash Consideration"). The cash consideration shall initially be advanced by DraftDay as a loan to Rant, which will be deemed satisfied provided Rant delivers audited financial statements to DraftDay within 45 days of the closing of the Transaction.
- Shares of DraftDay's common stock equal to an amount between 20% and 24% of our total outstanding common stock (the "Share Consideration"). The Share Consideration shall be determined by the mutual agreement of the parties. Additionally, the Binding Term Sheet provides for the following:
- Rant will have at least \$2,000 in cash at the closing of the Transaction.
- If we do not proceed to execution of definitive documents for any reason except (i) a breach by Rant of its obligations under the Binding Term Sheet or (ii) if information regarding Rant's 2015 revenues, cost of goods sold exclusive of non-cash items) and traffic statistics previously provided to us by Rant is materially incorrect, we must pay Rant a \$1,000 break-up fee.

The Transaction shall be subject to the preparation of definitive documents. Because the documents are subject to a number of conditions that must be satisfied by each of the parties, there is no assurance that the proposed terms may not be changed or that any transaction may be consummated.

Rant, Inc. is a digital publishing company that was founded in 2010. Rant and its expanding internet property lineup has established itself as a leading innovator in online media consumption. Known for the well-established brand RantSports, Rant, Inc. has since expanded its reach towards the areas of lifestyle, fitness, exercise, entertainment, technology, and celebrities.

Legal Proceedings

On December 22, 2015, Global Interactive Media, Inc. ("Global") served the Company with a lawsuit alleging infringement of certain of Global's patents. The Company entered into a settlement agreement on May 2, 2016, and the matter is now closed.

On March 2, 2016, the Company was served with a Notice of Petition of Non-Payment (the "Notice") by 902 Associates, its landlord at 902 Broadway, New York. The Notice refers to unpaid rent in the amount of \$226 and calls for eviction of the Company from the premises at 902 Broadway. The Company settled with 902 Associates on April 19, 2016 and has agreed to pay 902 Associates \$50 a month for the arrears and make all rent payments as they come due.

Pandera Systems, LLC, which formerly provided analytics development services to the Company, filed suit on March 11, 2016 against the Company to demand collection of amounts due for such services. The Company settled this matter on April 12, 2016.

North America Photon Infotech Ltd. (“Photon”), a company based in Mauritius that had provided development services to the Company, filed suit in California on March 28, 2016 to collect approximately \$218 owed by the company to Photon. The Company settled this matter on May 12, 2016.

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Pandora Media, Inc., (“Pandora”) a prior marketing provider for the Company, filed suit in California on March 29, 2016 to collect approximately \$125 owed by the Company to Pandora. The Company intends to vigorously defend the action. The Company is in settlement discussions with Pandora.

On April 25, 2016, Carpathia Hosting, LLC, which formerly provided hosting services to the Company, filed suit in the Eastern District of Virginia to demand collection of \$658 due. The Company intends to vigorously defend the suit.

Coda Search LLC, a former vendor of the Company, served the Company with a lawsuit on May 9, 2016 to collect \$27 owed to it. The Company settled the litigation with Coda Search on May 13, 2016.

NASDAQ Delisting

The Company's common stock has traded on the NASDAQ Capital Market under the symbol DDAY. NASDAQ recently informed the Company that it has failed to comply with certain of NASDAQ's continuing listing criteria, and that the Company's stock will be delisted. The Company appealed the decision, and the Nasdaq Listing Qualifications panel granted the Company's request for the continued listing of its common stock on The Nasdaq Capital Market (“Nasdaq”). The Company's continued listing on Nasdaq is subject to, among other things, the Company evidencing compliance with the minimum \$2.5 million market value of listed securities requirement and the minimum \$1.00 bid price requirement by August 22, 2016.

Preferred Stock Conversion

Sillerman Investment Company III, LLC (“SIC III”), an affiliate of Robert F.X. Sillerman, the Company's Executive Chairman and Chief Executive Officer of the Company, owned 10,000 shares of Series C Preferred Stock. On May 9, 2016 (the “Exchange Date”), the Company and SIC III entered into a Subscription Agreement pursuant to which SIC III subscribed for 22,580,645 shares of the Company's common stock at a price of \$0.31 per share. Accordingly, the aggregate purchase price for such shares was \$7,000. The Company and SIC III agreed that SIC III would pay the purchase price for such shares by exchanging 7,000 shares of the Company's Series C Preferred Stock owned by SIC III for the common shares (the “Exchange”). The effectiveness of the Exchange is subject to receipt of an opinion as of the Exchange Date by an independent valuation expert that the Exchange is fair. If the Exchange becomes effective, Mr. Sillerman and his affiliate will own more than 50% of the outstanding shares of the Company's common stock.

Amendment to Forbearance Agreement

In connection with the Company's acquisition of Choose Digital, the Company was required to make a contingent payment, which was due within five business days after June 24, 2015, of \$4,792. On July 31, 2015, the Company entered into a Forbearance Agreement with AmossyKlein Family Holdings, LLLP, as representative of the former shareholders of Choose Digital Inc. The Forbearance Agreement provided that the Company will make monthly installment payments to the Stockholders, beginning on July 31, 2015 and ending on January 29, 2016. Specifically, the Company agreed to pay \$668 on July 31, 2015; \$532 on August 31, 2015; \$528 on September 30, 2015; \$524 on October 31, 2015; \$521 on November 30, 2015; \$517 on December 31, 2015; and \$1,754 on January 29, 2016. The Company agreed to deliver an affidavit of confession of judgment to be held in escrow by AmossyKlein's counsel in the event the Company did not make such installment payments. The Company made the installment payments through December 2015, but failed to make the payment due on January 29, 2016.

On May 12, 2016, the Company and AmossyKlein entered into an amendment to the Forbearance Agreement to provide for the payment of the remaining \$1,754. The Forbearance Agreement now provides that the Company will make a payment of approximately \$300 by May 18, 2016, and thereafter, the Company will make monthly payments of \$100, plus interest at a rate of 9% per annum, until the remaining amount is paid in full. In addition, the Company agreed to pledge 100,000 shares of common stock it holds in Perk.com, Inc. as collateral for these obligations. Finally, the Company agreed if it consummates a sale of a substantial part of its assets or a public equity offering, the Company will first apply the proceeds to remaining amounts due to AmossyKlein, except for payments to advisors or

expenses necessary to close such transactions. The Company also delivered an amended confession of judgment that it had previously delivered to AmossyKlein, which will be held in escrow by AmossyKlein's counsel in the event the Company does not make installment payments as set forth in the amended Forbearance Agreement.
Additional Investment in DraftDay Gaming Group, Inc.

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On May 12, 2016, the Company entered into a subscription agreement with DDDGG pursuant to which the Company agreed to purchase up to 550 shares of Series A Preferred Stock of DDGG for \$1 per share. DDGG also entered into a subscription agreement with Sportech pursuant to which Sportech agreed to purchase up to 450 shares of Series A Preferred Stock of DDGG for \$1 per share. In accordance with this agreement, the Company transferred an additional \$80 to the DDGG subsidiary since April 1, 2016 and through the date of the filing of these financial statements.

Conversion of MGT Series D Preferred Shares to Common Stock

On April 13, 2016, MGT Sports, Inc. ("MGT") converted all 110 shares of the Company's Series D Preferred Stock into shares of common stock of the Company. Accordingly, the Company issued 366,630 shares of common stock to MGT. Thereafter, there are no shares of the Company's Series D Preferred Stock outstanding.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations of the Company should be read in conjunction with the historical unaudited consolidated financial statements and notes thereto included elsewhere in this Quarterly Report, and in the Company's Annual Report on Form 10-K filed on September 21, 2015. Our historical results of operations reflected in our consolidated financial statements are not necessarily indicative of our future results of operations.

DraftDay Fantasy Sports, Inc. (the "Company") was incorporated in Delaware in July 1994, and was formerly known as Viggle Inc., Function (x) Inc, Function (X) Inc. and Gateway Industries, Inc.

Overview

The quarter ended March 31, 2016 was a period of transition for the Company. As described in the "Perk.com Transaction" below, on December 13, 2015, the Company entered into an Asset Purchase Agreement (the "Perk Agreement") with Perk.com, Inc. ("Perk") to sell the Company's rewards business, including the Viggle app, to Perk. This asset sale subsequently closed on February 8, 2016.

As the nature of the Company has changed, the Company changed its name from Viggle Inc. to DraftDay Fantasy Sports, Inc., and changed its ticket symbol from VGGL to DDAY.

During the period covered by this Quarterly Report on Form 10-Q, the Company continued to operate the Viggle rewards business, because the transaction resulting in the sale of that business did not close until February 8, 2016. Therefore, the following overview continues to describe the Viggle rewards business. As of February 8, 2016, the Company no longer operates the Viggle rewards business.

Our Strategy

Viggle Rewards Business - Discontinued Operations

Viggle is a mobile and web-based entertainment marketing platform that uses incentives to make content consumption and discovery more rewarding for media companies, brands and consumers. Viggle helps guide consumers towards various forms of media consumption with television enhancement, music discovery, entertainment content publishing and distributed viewing reminders. Viggle helps consumers decide what to watch and when, broadens the viewing experience with real time games and additional content, and rewards viewers for being loyal to their favorite shows throughout a season, allowing them to earn points. For brands, Viggle provides advertising clients with targeted interactive ads to amplify their TV messaging to verified audiences. For media companies, Viggle delivers promotional benefits by driving viewers to specific shows, engaging them in a richer content experience, and increasing awareness of promoted shows through web, mobile and social channels. We sold this business to Perk in a transaction that closed on February 8, 2016.

Perk.com Transaction

Asset Purchase Agreement

On December 13, 2015, the Company entered into an Asset Purchase Agreement with Perk. Perk's shares are currently traded on the Toronto Stock Exchange. In connection with the Perk Agreement, the Company agreed to sell to Perk

certain assets relating to the Viggle rewards business, including the Viggle app. The Company retained its interest in DraftDay Gaming Group, Inc., Wetpaint.com, Inc., Choose Digital, Inc. and the assets relating to its MyGuy game. The closing of this transaction subsequently occurred on February 8, 2016.

Purchase Price and Adjustments

As consideration for the assets sold, the Company received the following consideration:

1,500,000 shares of Perk common shares free and clear of all liens, less the number of shares of Perk common shares applied to the repayment of principal and interest of the credit facility described below (the “Initial Perk Shares”);

2,000,000 shares of Perk common shares if Perk's combined revenue, as calculated pursuant to the Asset Purchase Agreement, is at least USD \$130.0 million for the calendar year commencing on January 1, 2016 or January 1, 2017 (the "Earn-Out");

A warrant ("Warrant 1") entitling the Company to purchase 1,000,000 shares of Perk common shares at a strike price of CDN \$6.25 per share in the event the volume weighted average price ("VWAP") of shares of Perk common shares is greater than or equal to CDN \$12.50 per share for 20 consecutive trading days in the two year period following the closing of the Acquisition;

A warrant ("Warrant 2", and together with Warrant 1, the "Warrants") entitling the Company to purchase 1,000,000 shares of Perk common shares at a strike price of CDN \$6.25 per share in the event that the VWAP of Perk common shares is greater than or equal to CDN \$18.75 per share for 20 consecutive trading days in the two year period following the closing of the Acquisition; and

Perk also assumed certain liabilities of the Company, including points liability.

At the time the Company entered into the Perk Agreement, Perk provided the Company with a \$1,000 secured line of credit, which the Company fully drew down. The Company had the option of repaying amounts outstanding under that line of credit by reducing the number of Initial Perk Shares by 130,000. The Company did exercise this option, so the Company received 1,370,000 shares of Perk common stock at closing, and the amounts outstanding under the Line of Credit were deemed paid in full.

Escrow

At the closing, 37.5% (562,600) of the Initial Perk Shares were issued and delivered to an escrow agent to be used exclusively for the purpose of securing the indemnification obligations of the Company under the Perk Agreement. The escrow agent will hold such shares for one year from the closing in accordance with the terms of an escrow agreement.

Additionally, after the closing, we delivered 357,032 shares to satisfy an obligation to a prior trade creditor.

Remaining Businesses

Wetpaint.com

Through Wetpaint, we report original news stories and publish information content covering top television shows, music, celebrities, entertainment news and fashion. Wetpaint publishes more than 55 new articles, videos and galleries each day. Wetpaint is a social publisher for millennial women. Wetpaint's Facebook pages have approximately 10 million fans, and Wetpaint routinely attracts 10 million monthly unique visitors, and 55 million monthly page views. With clever social packaging around original entertainment news content, Wetpaint showcases exclusive interviews, breaking stories, and our fangirl spin on pop culture. We generate revenues through Wetpaint by displaying advertisements to Wetpaint users as they view Wetpaint's content. We source ads by working directly with advertisers, or their advertising agencies, and by working through third party ad networks.

Wetpaint is a leading-edge media platform that uses its proprietary state-of-the-art technologies and expertise in social media to build and monetize audiences. Wetpaint.com delights 18- to 34-year-old women with in-depth coverage of their favorite TV shows, stars, and fashion.

Wetpaint is very focused on knowing its audience. This is made possible through Wetpaint's proprietary Social Distribution System, a patented technology-based social experimentation and publishing platform. Wetpaint's competitive advantage is this complete audience-development engine, which optimizes the packaging and distribution of content - getting it to the right audience at the right place at the right time on the social web.

Choose Digital

Choose Digital is a "white label" digital marketplace featuring a recent and wide range of digital content, including music, movies, TV shows, eBooks and audiobooks. The content is sourced from the world's leading record companies and book publishers and a leading aggregator of movie and TV content. The marketplace can be fully branded and integrated seamlessly into clients' current online environments. Today Choose Digital's marketplace powers many of the largest loyalty programs in the US and Canada allowing customers and participants to enjoy the latest in digital content instantly.

Choose Digital generates revenues when participants in Choose Digital's clients' loyalty programs redeem loyalty credits for digital content provided by Choose Digital. For example, if a participant in a loyalty program redeems credits for a song download provided by Choose Digital, the client loyalty program pays Choose Digital for the download.

Choose Digital offers several custom and turnkey products for creating e-commerce web apps for selling digital music, movies, TV, eBooks, and audiobooks within small or large loyalty programs. The extensive digital media catalog consists of the latest releases and large back-catalogs of most major music labels, book publishers, and movie and TV studios. New catalog items are added daily and track with general industry-wide release cycles.

Choose Digital's technology and expertise provides the ability for client companies and organizations to quickly add digital media items to their loyalty reward programs. The digital media catalog can be fully customized to the client's needs and can involve integrating the our full-featured API, or employing our services to create a custom, seamless, standalone, and managed storefront accessible by their member base.

DDGG

On September 8, 2015, the Company and its subsidiary DraftDay Gaming Group, Inc. ("DDGG") entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with MGT Capital Investments, Inc. ("MGT Capital") and MGT Sports, Inc. ("MGT Sports"), pursuant to which the Company acquired all of the assets of the DraftDay.com business (the "DraftDay Business") from MGT Capital and MGT Sports. The DraftDay Business conducts business as DDGG and operates a daily fantasy sports website at DraftDay.com, and operates other white-label websites on behalf of its business-to-business clients. The DraftDay.com Business is focused on the business-to-business market allowing consumer brands entry into the fantasy sports market with turnkey solutions. The DraftDay Business has paid out more than \$30 million in prize winnings since its inception. The Company is continuing to develop its business plans for the DraftDay Business in connection with the Special Committee's continuing review of strategic alternatives, as noted below.

DDGG is a business-to-business operator of daily fantasy sports in the United States and Canada. DDGG supplies a full white-label solution that allows businesses to participate in the fast growing skill-based game market. By using DDGG's white label solution, a business can offer a fantasy sports product to its customers without incurring the ongoing technology costs and other capital expenditures. By focusing on offering white-label solutions to businesses, DDGG's strategy is to build a network of players through the established databases of DDGG's participating clients. This model is strategically focused to minimize costs of user acquisition. In addition, the aggregated network of users across DDGG's clients' databases creates larger prize pools to generate higher player engagement and retention.

DDGG continues to develop its business plan by focusing on the regulated market of casinos as well as the entertainment and sports industries.

Using its proprietary technology, DraftDay provides turnkey white-label solutions to organizations looking for ways to expand and monetize their existing user database. DraftDay's technology is a Software-as-a-Service (SaaS) platform and powers the complete user experience, which can be linked to a new or existing website or integrated into an existing authentication process using a secure API. DraftDay manages all aspects of the website operation, including: taking the deposits, managing the tournaments, handling the withdrawals, and providing customer support on behalf of a client's new or existing brand.

The DraftDay platform is web-based with enhanced mobile experiences, including Apps, that allow end users to engage in daily fantasy sports tournaments that span single or multiple days, creating rosters from all available players in a variety of tournament formats. Businesses working with DraftDay receive seamless integration, enterprise marketing support, and state-of-the-art monitoring and reporting for revenue optimization.

DraftDay employs industry-leading consumer protection protocols and technology, including geolocation services from GeoComply, identity verification (Know-Your-Customer) from IDology, and enhanced responsible play controls customized by locale.

The daily fantasy sports industry, including DDGG's business, is subject to an evolving legislative and regulatory landscape. Some states employ either a “predominance” test or a “material factor” test to determine whether a game is one of skill or conversely have specific laws prohibiting pay-to-play fantasy sports. Therefore, DDGG does not operate in Alabama, Arizona, Iowa, Louisiana, Mississippi, Montana, Nevada, Texas, Vermont or Washington. In addition, on November 10, 2015, the New York State Attorney General issued a letter to FanDuel and DraftKings, two of the largest competitors in the fantasy sports industry, stating that it believes that their activities constitute illegal gambling under New York law, and instructing them to cease their offerings to New York residents. As a result, DDGG has ceased its fantasy sports offerings to New York residents, pending further developments on the matter. In addition, several state Attorneys General have issued opinions that daily fantasy either does or does not meet the states standards under their current laws. In those states with negative treatment, DDGG has suspended services until there

is further clarity in those states through the legal, legislative, and regulatory processes. Approximately 33 states have introduced legislation authorizing and regulating daily fantasy sports ranging from clarifying current state laws and regulations to adding new laws regarding daily fantasy sports. DDGG continues to monitor the changing landscape and advocates a favorable position for daily fantasy sports in each of these states.

Special Committee

In the Company's Quarterly Report on Form 10-Q filed on May 11, 2015, the Company reported that its Board of Directors intended to form a Special Committee of independent directors to explore strategic alternatives to enhance value, and that these alternatives could include, among others, possible joint ventures, strategic partnerships, marketing alliances, sale of all or some of the Company, or other possible transactions. Following the Perk transaction, the Special Committee continues to study alternatives, including the possibility of reorganization.

Rant Term Sheet

On April 29, 2016, we entered into a Binding Term Sheet (the "Binding Term Sheet") with Rant, Inc. ("Rant"). In connection with the Binding Term Sheet, we agreed to purchase the assets of the Rant business (the "Transaction"). As consideration for the assets, Rant will receive the following consideration:

- \$5,000 cash (the "Cash Consideration"). The cash consideration shall initially be advanced by DraftDay as a loan to Rant, which will be deemed satisfied provided Rant delivers audited financial statements to DraftDay within 45 days of the closing of the Transaction.
- Shares of DraftDay's common stock equal to an amount between 20% and 24% of our total outstanding common stock (the "Share Consideration"). The Share Consideration shall be determined by the mutual agreement of the parties. Additionally, the Binding Term Sheet provides for the following:
- Rant will have at least \$2,000 in cash at the closing of the Transaction.
- If we do not proceed to execution of definitive documents for any reason except (i) a breach by Rant of its obligations under the Binding Term Sheet or (ii) if information regarding Rant's 2015 revenues, cost of goods sold exclusive of non-cash items) and traffic statistics previously provided to us by Rant is materially incorrect, we must pay Rant a \$1,000 break-up fee.

The Transaction shall be subject to the preparation of definitive documents. Because the documents are subject to a number of conditions that must be satisfied by each of the parties, there is no assurance that the proposed terms may not be changed or that any transaction may be consummated.

Rant, Inc. is an digital publishing company that was founded in 2010. Rant and its expanding internet property lineup has established itself as a leading innovator in online media consumption. Known for the well-established brand RantSports, Rant, Inc. has since expanded its reach towards the areas of lifestyle, fitness, exercise, entertainment, technology, and celebrities.

Going Concern

Our Consolidated Financial Statements as of June 30, 2015, and the auditor's report on those financial statements, include a disclosure paragraph regarding the uncertainty of our ability to remain a going concern, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company is unlikely to pay dividends or generate significant revenue or earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its stockholders and the ability of the Company to obtain necessary equity or debt financing to continue development of its business and to increase revenue. Management intends to raise additional funds through equity and/or debt offerings until sustainable revenues are developed. There is no assurance such equity and/or debt offerings will be successful or that development of the business will be successful, and therefore there is substantial doubt about the Company's ability to continue as a going concern within one year after the financial statements are issued. The

accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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Results of Continuing Operations

Results for the three and nine months ended March 31, 2016 and 2015 (amounts in thousands)

	Three Months Ended March 31,			Nine Months Ended March 31,		
	2016	2015	Variance	2016	2015	Variance
Revenues	\$678	\$1,404	(726)	\$3,933	\$4,294	(361)
Selling, general and administrative expenses	(5,634)	(10,904)	5,270	(25,043)	(35,922)	10,879
Impairment loss	—	—	—	(30,402)	—	(30,402)
Operating loss	(4,956)	(9,500)	4,544	(51,512)	(31,628)	(19,884)
Other income (expense):						
Other income, net	31	1	30	34	6	28
Interest expense, net	(1,083)	(935)	(148)	(2,866)	(1,415)	(1,451)
Total other expense	(1,052)	(934)	(118)	(2,832)	(1,409)	(1,423)
Net loss before provision for income taxes	(6,008)	(10,434)	4,426	(54,344)	(33,037)	(21,307)
Income tax expense	—	—	—	—	—	—
Net loss from continuing operations	\$(6,008)	\$(10,434)	\$4,426	\$(54,344)	\$(33,037)	\$(21,307)

Results of Continuing Operations for the Three Months Ended March 31, 2016 Compared to the Three Months Ended March 31, 2015 (amounts in thousands)

Revenues

Revenue in the three months ended March 31, 2016 was \$678, a decrease of \$726 from the three months ended March 31, 2015. The decrease was driven by the sale of the Viggie business to Perk, which led to a temporary cessation in Viggie user redemption of digital media on the Choose Digital platform and thus lower revenues for Choose Digital, and to a transfer of the sales force to Perk and thus a loss of direct sales advertising revenues for Wetpaint. The effect of these changes on revenue was \$284 and \$479, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$5,634 for the three months ended March 31, 2016, a net decrease of \$5,270 from the three months ended March 31, 2015. The net decrease was driven by decreases in: stock based compensation of \$4,338, content expense in the amount of \$284, caused by lower Viggie user redemption of digital media on the Choose Digital platform due to the sale of the Viggie App to Perk, depreciation and amortization expense of \$306, marketing expense of \$361, and technology costs of \$221. These decreases were offset by an increase in spending related to DDGG of \$113.

Interest Expense, Net

Interest expense, net was \$1,083 for the three months ended March 31, 2016, an increase of \$148 from the three months ended March 31, 2015. The increase was due to higher levels of debt during the three months ended March 31, 2016.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, Income Taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement

and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial

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statements. At March 31, 2016 and June 30, 2015, the Company provided a full valuation allowance on its deferred tax assets and thus recognized no tax benefit.

Results of Continuing Operations for the Nine Months Ended March 31, 2016 Compared to the Nine Months Ended March 31, 2015 (amounts in thousands)

Revenues

Revenue in the nine months ended March 31, 2016 was \$3,933, an decrease of \$361 from the nine months ended March 31, 2015. The net decrease was driven by a \$1,513 decrease in Wetpaint revenues primarily caused by the transfer of the sales force to Perk and thus a loss of direct sales advertising revenues, an increase of \$838 in Choose Digital revenues generated through Viggle user redemptions of digital media on the Choose Digital platform, and an increase in DDGG revenues of \$422.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$25,043 for the nine months ended March 31, 2016, a decrease of \$10,879 from the nine months ended March 31, 2015. This change was driven by decreases in stock based compensation of \$9,422, depreciation and amortization expense of \$449, marketing expense of \$361, and Wetpaint content creation of \$226. These decreases were offset by increases in Choose Digital content expense of \$838, and DDGG operating expenses of \$336.

Impairment Loss

Impairment loss in the nine months ended March 31, 2016 was \$30,402, an increase of \$30,402 from the nine months ended March 31, 2015. The increase is due to the goodwill impairment loss the Company recorded of \$2,095 related to the Choose Digital reporting unit and \$15,507 related to the Wetpaint reporting unit, and losses of \$1,331 and \$11,469 on intangible assets related to Choose Digital's software and licenses and Wetpaint's technology, trademark, customer relationships and non-competition agreements, respectively.

Interest Expense, Net

Interest expense, net was \$2,866 for the nine months ended March 31, 2016, an increase of \$1,451 from the nine months ended March 31, 2015. The increase was due to higher levels of debt during the nine months ended March 31, 2016.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, Income Taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements.

At March 31, 2016 and June 30, 2015, the Company provided a full valuation allowance on its deferred tax assets and thus recognized no tax benefit.

Liquidity and Capital Resources (amounts in thousands)

Cash

At March 31, 2016 and June 30, 2015, we had cash balances of \$623 and \$4,217, respectively.

Available Line of Credit

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As of March 31, 2016, the Company had approximately \$1,737 available under its lines of credit.

The Company's 12-Month Plan for its Business (amounts in thousands)

Our capital requirements to fund our operating segments are variable based on a few key factors. With respect to Wetpaint, the key factors among others include quality content creation, monthly unique visitors and our ability to procure advertising inventory to properly monetize our user base. With respect to Choose Digital, the key factors are our ability to launch new clients and the cost and our ability to purchase digital content at an attractive price. In respect to DDGG, the key factors are our ability to attract new business-to-business partners, the number of players and our ability to set the prize awards at appropriate levels to reduce overlay. These factors combine to determine our cash needs for calendar 2016. As we increase Wetpaint's number of monthly unique users and number of advertising partners, we would expect to generate increased revenue from the sale of digital media on the Wetpaint website and expect these sales to be a source of liquidity within such period for this operating segment. If we can increase Choose Digital's client base, we would expect to generate increased revenue from the provision of digital content to the clients. If we can increase DDGG's client base, we would expect to generate increased revenue from the provision of a white label fantasy sports gaming platform and would expect these sales to be a source of liquidity within such period for this operating segment. However, there is no guarantee that revenues will exceed business fixed and variable costs in calendar 2016 or ever. In respect to our operating costs, employee salaries, cost of content expenditures, leases of office space, and costs of cloud computing and hosting services constitute the majority of our monthly operating expenses. With the exception of leased office space, our operating costs across the operating segments are expected to increase as we add users and clients, work to create more content to entice users, and create new features and functionality on the Choose Digital and DDGG platforms. The overall level of expenses will be reflective of management's view of the current opportunities for the operating segments within their respective marketplaces and the Company's strategic decisions. We utilize significant computing resources across our business to run and develop our website and platforms and purchase certain server hardware; however, we lease the majority of needed computing hardware, bandwidth, and co-location facilities. Accordingly, we can limit the cost of these servers to be in line with business growth. We plan to carefully manage our growth and costs to attempt to meet the goals of our business plan for such period.

Our sale of the Company's rewards business to Perk greatly reduced our cash burn and our rewards points liabilities. We have projected the plan for our business for the 2016 calendar year, which is subject to change resulting from both internal and external circumstances. Our 12-month plan has not been reviewed for consistency with US GAAP, and has been prepared on a modified accrual basis. Our 12-month plan is based on assumptions and is subject to risks and uncertainties. Our 12-month plan represents our estimates and assumptions only as of the date of this filing on Form 10-Q, and our actual future results may be materially different from what we set forth below.

There is no assurance that the plan set forth herein will be successful. If implemented, actual results may vary significantly from the plan described in this filing on future Forms 10-Q. We do not warrant or guarantee the foregoing. Our June 30, 2015 financial statements contain a going concern emphasis in our audit opinion.

With the conclusion of the Perk transaction, the Company is in the process of reviewing its remaining three business segments and the cash needs for the 2016 calendar year to cover fixed expenses and capital, including employee payroll, content expenditures, server capacity, office space and capital expenditures. The amount of capital required will depend on strategic decisions to be made with those business segments. As of March 31, 2016, we had approximately \$1,737 available under our existing lines of credit and cash of approximately \$623. We intend to increase revenue over the next 12 months as we focus on selling more advertising on the Wetpaint website and, depending on our strategic decisions, working to improve the Choose Digital and DDGG platforms. We also intend to reduce our expenses. There is no guarantee that we will be successful. Our ability to sell increasing amounts of

advertising is dependent on the amount of monthly unique users and the activity of those users on the Wetpaint website. Our ability to generate digital content sales for Choose Digital is dependent on our ability to launch digital rewards programs for new clients and maintain our digital content licenses, which are currently in arrears. Our ability to launch new DDGG partners is dependent on the legal and regulatory developments in the market. We may not be able to deliver enough users to grow revenue. The level of engagement activity currently seen on the Wetpaint website and the DDGG fantasy sports application may slow and the potential revenue per user would fall accordingly. We also may not be able to maintain our current relationships with media content providers for Choose Digital.

The actual amount of funds required for the 2016 calendar year may vary depending upon the number of users and clients, the content, rewards, and related expenses, the development costs for the launch of new features and product enhancements, and the speed with which the legal and regulatory issues within the fantasy sports market are resolved. In the event that the required cash is not funded from revenue and expenses reduced, we will need to raise additional capital through either debt or equity financing.

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Our decisions regarding strategic alternatives will need to take into account all of these factors which can affect our business plan as set forth above.

Cash Flows for the nine months ended March 31, 2016 (amounts in thousands)

	Nine Months Ended March 31,	
	2016	2015
Net cash used in operating activities	\$(6,982)	\$(17,627)
Net cash provided by (used in) investing activities	\$—	\$(455)
Net cash provided by financing activities	\$3,388	\$18,790

Operating Activities

In the nine months ended March 31, 2016, net cash used in operating activities was \$6,982, including our net loss of \$56,512, impairment loss of \$30,402, gain on sale of a business of \$7,172, non cash, stock based compensation charges of \$12,332, and depreciation and amortization of \$2,898. In addition, net cash inflows from changes in operating assets and liabilities were \$10,833, primarily due to an increase in accounts payable of \$5,901 and decreases in accounts receivable and prepaid expenses of \$2,896. and \$1,589, respectively.

In the nine months ended March 31, 2015, net cash used in operating activities was \$17,627, including our net loss of \$60,444, non cash, stock based compensation charges of \$27,093 and depreciation and amortization of \$4,558. In addition, net cash inflows from changes in operating assets and liabilities was \$10,897, primarily as a result from increases in restricted cash of \$5,005, accounts payable and accrued expenses of \$2,722, and rewards points payable of \$3,029, and increases in accounts receivable of \$1,087.

Investing Activities

Cash provided by investing activities in the nine months ended March 31, 2016 was \$0.

Cash used in investing activities in the nine months ended March 31, 2015 was \$455 consisting of capitalized portion of software development costs and investments in computer related equipment.

Financing Activities

Cash provided by financing activities in the nine months ended March 31, 2016 of \$3,388 consisted of net borrowings on the Company's lines of credit of \$5,688, the Perk loan of \$1,000, and repayment of the contingent consideration due of \$3,050.

Cash used in financing activities in the nine months ended March 31, 2015 of \$18,790 consisted of net borrowings on the Company's lines of credit of \$6,400 and the sale of Series C Convertible Preferred Stock of \$10,000.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material impact on the Company.

Commitments and Contingencies

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we are not required to provide the information required by this item.

Critical Accounting Policies and Estimates

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Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, stock-based compensation, the valuation of goodwill and intangible assets, internal-use software, and income taxes have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

During the nine months ended March 31, 2016, there have been no significant changes related to our critical accounting policies and estimates as disclosed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015.

Recently Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). This update is intended to improve the accounting for employee share-based payments and affects all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment awards are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. ASU 2016-09 is effective for financial statements issued for annual periods beginning after December 15, 2016. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-09 on its financial statements.

In February 2016, FASB issued Accounting Standards Update No. 2016-02, "Leases" ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. ASU 2016-02 is effective for

financial statements issued for annual periods beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of adoption of ASU 2016-02 on its financial statements.

In January 2016, FASB issued Accounting Standards Update No. 2016-01, “Financial Instruments- Overall: Recognition

and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). ASU 2016-01 requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee).

Additionally, it requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. Lastly, the standard eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. ASU 2016-01 is effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within those annual periods. The Company does not expect the standard to have a material impact on its consolidated financial statements.

In November 2015, FASB issued Accounting Standards Update No. 2015-17, “Income taxes: Balance Sheet Classification

of Deferred Taxes Business” (“ASU 2015-17”). Topic 740, Income Taxes, requires an entity to separate deferred income tax

liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Deferred tax liabilities

and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified

according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, ASU 2015-17 requires that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is currently in the process of evaluating the impact of adoption of ASU 2015-17 on its financial statements.

In September 2015, the FASB issued Accounting Standard Update No. 2015-16, Business Combinations - Simplifying the Accounting for Measurement-Period Adjustments ("ASU 2015-16"). This standard requires that an acquirer retrospectively adjust provisional amounts recognized in a business combination, during the measurement period. To simplify the accounting for adjustments made to provisional amounts, the amendments in the ASU 2015-16 require that the acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amount is determined. The acquirer is required to also record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. In addition an entity is required to present separately on the face of the income statement or disclose in the notes to the financial statements the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. ASU 2015-16 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017 (July 1, 2017 for the Company). The Company does not believe that the adoption of ASU 2015-16 will have a material impact on its consolidated financial statements.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we are not required to provide the information required by this item.

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ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities & Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Accounting Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management has assessed the effectiveness of our internal control over disclosure controls and procedures as of March 31, 2016. As a result of this assessment, management concluded that, as of March 31, 2016, our internal control over disclosure controls and procedures was not effective. Our management identified the following material weaknesses in our internal control over disclosure controls and procedures, which are the consequences of our limited financial resources and small staff: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient levels of supervision and review of the disclosure controls and procedures process.

We plan to take steps to enhance and improve the design of our internal control over disclosure controls and procedures. To remediate such weaknesses, we intend to appoint in the near future additional qualified personnel to address inadequate segregation of duties and ineffective risk management. These remediation efforts are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

Changes in Internal Control over Financial Reporting

Management has assessed the effectiveness of our internal control over financial reporting as of March 31, 2016. As a result of this assessment, management concluded that, as of March 31, 2016, our internal control over financial reporting was not effective. Our management identified the following material weaknesses in our internal control over financial reporting, which are the consequences of our limited financial resources and small staff: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient levels of supervision and review of the accounting and financial reporting process.

We plan to take steps to enhance and improve the design of our internal control over financial reporting. To remediate such weaknesses, we intend to appoint in the near future additional qualified personnel to address inadequate segregation of duties and ineffective risk management. These remediation efforts are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

PART II

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ITEM 1. LEGAL PROCEEDINGS

On November 4, 2015, Virtual Gaming Technologies, Inc. filed suit against DraftDay Gaming Group, Inc. The Company believes that it does not infringe the patents at issue. A settlement agreement was signed on January 14, 2016, and this matter is now concluded.

On December 22, 2015, Global Interactive Media, Inc. ("Global") served the Company with a lawsuit alleging infringement of certain of Global's patents. The Company has now settled the matter and it is now closed.

On March 2, 2016, the Company was served with a Notice of Petition of Non-Payment (the "Notice") by 902 Associates, its landlord at 902 Broadway, New York. The Notice refers to unpaid rent in the amount of \$226 and calls for eviction of the Company from the premises at 902 Broadway. The Company settled with 902 Associates on April 19, 2016 and has agreed to pay 902 Associates \$50 a month for the arrears and make all rent payments as they come due.

Pandera Systems, LLC, which formerly provided analytics development services to the Company, filed suit on March 11, 2016 against the Company to demand collection of amounts due for such services. The Company settled this matter on April 12, 2016.

North America Photon Infotech Ltd. ("Photon"), a company based in Mauritius that had provided development services to the Company, filed suit in California on March 28, 2016 to collect approximately \$218 owed by the company to Photon. The Company settled this matter on May 12, 2016.

Pandora Media, Inc., ("Pandora") a prior marketing provider for the Company, filed suit in California on March 29, 2016 to collect approximately \$125 owed by the Company to Pandora. The Company intends to vigorously defend the action. The Company is in settlement discussions with Pandora.

On April 25, 2016, Carpathia Hosting, LLC, which formerly provided hosting services to the Company, filed suit in the Eastern District of Virginia to demand collection of \$658 due. The Company intends to vigorously defend the suit.

Coda Search LLC, a former vendor of the Company, served the Company with a lawsuit on May 9, 2016 to collect \$27 owed to it. The Company settled the litigation with Coda Search on May 13, 2016.

The Company is subject to litigation and other claims that arise in the ordinary course of business. While the ultimate result of our outstanding legal matters cannot presently be determined, the Company does not expect that the ultimate disposition will have a material adverse effect on its results of operations or financial condition. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. As such, there can be no assurance that the final outcome will not have a material adverse effect on the Company's financial condition and results of operations.

ITEM 1A. RISK FACTORS

Various portions of this report contain forward-looking statements that involve risks and uncertainties. Actual results, performance or achievements could differ materially from those anticipated in these forward-looking statements as a result of certain risk factors, including those set forth below and elsewhere in this report (amounts in thousands, except share data). Because we have closed the sale of our rewards business to Perk, we have not included risk factors relating to our rewards business. However, you should read these risk factors in conjunction with the risk factors in our most recent Form 10-K (for the period ended June 30, 2015), which does include risk factors relating to the rewards business.

Our board of directors has formed a special committee of independent directors to explore strategic alternatives. However, there can be no assurances that any transaction will occur, or if such a transaction does occur, the value of that transaction to our company or our stockholders.

Our board of directors has formed a special committee of independent directors to explore strategic alternatives to enhance value. These alternatives could include, among others, possible joint ventures, strategic partnerships, marketing alliances, sale of all or some of our assets or other possible transactions. Following the Perk transaction, the Special Committee continues to study alternatives, including the possibility of reorganization. However, there can be no assurance that any such strategic transaction will occur. In addition, if such a transaction occurs, there can be no assurances as to the value of any such transaction to our company or our stockholders. The Company has signed a binding term sheet with Rant, Inc., which (if consummated) is a step in this direction. There is no assurance that we will consummate a transaction with Rant, Inc., or that such direction will be successful.

We have been notified by NASDAQ that our stock will be delisted because we have failed to comply with the continuing listing requirements of NASDAQ. We appealed Nasdaq's decision, and NASDAQ has granted us an extension until August 22, 2016 to regain compliance with NASDAQ's continuing listing criteria. If we are unable to regain compliance by that date, our stock will be delisted. As a result, liquidity in our stock could be impaired, and our stock price will likely decline.

Our common stock has traded on the NASDAQ Capital Market under the symbol DDAY. NASDAQ recently informed us that we have failed to comply with certain of NASDAQ's continuing listing criteria, and that our stock will be delisted. We appealed the decision, and NASDAQ has granted us an extension until August 22, 2016 to regain compliance with its continuing listing criteria. If we are not able to regain compliance by that time, our stock will be delisted. Delisting will impair the liquidity of our securities not only in the number of shares that could be bought and sold at a given price, which may be depressed by the relative illiquidity, but also through delays in the timing of transactions. As a result, an investor may find it more difficult to dispose of shares of our common stock. We believe that current and prospective investors will view an investment in our common stock less favorably after it is delisted from NASDAQ. This failure to meet the continuing NASDAQ listing requirements will likely have an adverse impact on the value of and trading activity in our common stock.

The sale of the Viggle rewards business to Perk.com, Inc. has changed our business model.

The sale of the Viggle rewards business to Perk.com, Inc. has significantly changed our business model. As a result of the sale, the Company is a smaller business and is determining what its business model will be going forward. The Company is unlikely to generate revenues at the same levels that it previously achieved.

Our historic stock price has been volatile and the future market price for our common stock is likely to continue to be volatile.

The public market for our common stock has historically been volatile. Any future market price for our shares is likely to continue to be volatile. This price volatility may make it more difficult for you to sell shares when you want at prices you find attractive. The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of specific companies. Broad market factors and the investing public's negative perception of our business may reduce our stock price, regardless of our operating performance. Further, the market for our common stock is limited and we cannot assure you that a larger market will ever be developed or maintained. Market fluctuations and volatility, as well as general economic, market and political conditions, could reduce our market price. As a result, these factors may make it more difficult or impossible for you to sell shares of our common stock for a positive return on your investment.

We have a history of losses, expect future losses and cannot assure you that we will achieve profitability.

We have incurred significant net losses and negative cash flow from operations since our inception. We incurred net losses of \$56,512 and \$60,444 for the nine months ended March 31, 2016 and March 31, 2015, respectively. We have an accumulated deficit of approximately \$422,626 as of March 31, 2016 and \$367,360 as of June 30, 2015. We have not achieved profitability since inception and cannot be certain that we will ever achieve profitability. Our ability to continue as a going concern is dependent upon raising capital from financing transactions, increasing revenue in our remaining businesses throughout the year and keeping operating expenses below our revenue levels in order to achieve positive cash flows, none of which can be assured. If we achieve profitability, we may not be able to sustain it.

Our independent registered public accounting firm's report contains an explanatory paragraph that expresses substantial doubt about our ability to continue as a going concern.

The report of our independent registered public accounting firm contained in our annual report on Form 10-K for the fiscal year ended June 30, 2015 contained an explanatory paragraph expressing substantial doubt about our ability to remain a going concern because we have suffered recurring losses from operations and, at June 30, 2015, had a working capital deficiency. We are unlikely to pay dividends or generate significant earnings in the immediate or foreseeable future. The continuation of our Company as a going concern is dependent upon the continued financial support from our largest stockholders and the ability of our Company to obtain necessary equity and debt financing to continue development of our business and to generate revenue. Management intends to raise additional funds through equity and debt offerings until sustainable revenues are developed. No assurance can be given that such equity and debt offerings will be successful or that development of our business will continue successfully.

Exercise of stock options and warrants and conversion of preferred stock will dilute your percentage of ownership and could cause our stock price to fall.

As of March 31, 2016, we have outstanding stock options to purchase 1,057,633 shares of common stock and unvested restricted stock units for 226,176 shares of common stock. Exercise of any of these options or warrants, or conversion of any of the shares of preferred stock, would result in our issuing a significant number of additional shares of common stock. Additionally, we have more than 3 million shares available for issuance under the 2011 Executive Incentive Plan. In the future, we may further increase the number of shares available for issuance under that plan. In addition, we currently have 10,000 shares of Series C Convertible Preferred Stock outstanding, which are convertible into 2,500,000 shares of common stock. We may also grant additional stock options, warrants and convertible securities. The exercise, conversion or exchange of stock options, warrants or convertible securities will dilute the percentage ownership of our other stockholders. Sales of a substantial number of shares of our common stock could cause the price of our common stock to fall and could impair our ability to raise capital by selling additional securities.

If we are unable to successfully develop and market our products or features or our products or features do not perform as expected, our business and financial condition will be adversely affected.

With the release of any new product or any new features to an existing product, we are subject to the risks generally associated with new product or feature introductions and applications, including lack of market acceptance, delays in development and implementation, and failure of new products or features to perform as expected. In order to introduce and market new or enhanced products or features successfully with minimal disruption in customer purchasing patterns and user experiences, we must manage the transition from existing products in the market. There can be no assurance that we will successfully develop and market, on a timely basis, products, product enhancements or features that respond to technological advances by others, that our new products will adequately address the changing needs of the market or that we will successfully manage product transitions. Further, failure to generate sufficient cash from operations or financing activities to develop or obtain improved products and technologies could have a material

adverse effect on our results of operations and financial condition.

In addition, our technology is under continual development. While certain aspects of the product may currently be functioning on a basic level, we must perform more testing to ensure that the different components work together effectively and the audio sampling and matching technology being developed by us is accurate, performs well and integrates with metadata and points systems. There is no assurance that the product will generate sufficient income from brand and network advertisers, which could have a material adverse effect on our results of operations and financial condition.

We may seek to raise additional funds, finance acquisitions or develop strategic relationships by issuing capital stock that would dilute your ownership.

We have financed our operations, and we expect to continue to finance our operations and acquisitions and to develop strategic relationships, by issuing equity or convertible debt securities, which could significantly reduce the percentage ownership of our existing stockholders. Furthermore, any newly issued securities could have rights, preferences and privileges senior to those of our existing common stock. Moreover, any issuances by us of equity securities may be at or below the prevailing market price of

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our common stock and in any event may have a dilutive impact on your ownership interest, which could cause the market price of our common stock to decline. We may also raise additional funds through the incurrence of debt or the issuance or sale of other securities or instruments senior to our common stock. The holders of any debt securities or instruments we may issue would likely have rights superior to the rights of our common stockholders.

Since a significant amount of our voting securities are controlled by our Chairman and Chief Executive Officer and his affiliates, you and our other non-management stockholders may not be able to affect the outcome in matters requiring stockholder approval.

As of May 1, 2016, approximately 17,017,891 shares of our common stock, not including warrants, options, preferred stock or rights to acquire common stock, are owned by Mr. Sillerman and his affiliates, representing a significant percentage of the total voting power. As a result, Mr. Sillerman and his affiliates essentially have the ability to elect all of our directors and to approve any action requiring stockholder action. It is possible that the interests of Mr. Sillerman could conflict in certain circumstances with those of other stockholders. Such concentrated ownership may also make it difficult for our stockholders to receive a premium for their shares of common stock in the event we merge with a third party or enter into other transactions that require stockholder approval. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

We rely on key members of management, and the loss of their services could adversely affect our success and development.

Our success depends on the expertise and continued service of Mr. Sillerman and certain other key executives and technical personnel. These individuals are a significant factor in our growth and ability to meet our business objectives. In particular, our success is highly dependent upon the efforts of our executive officers and our directors, particularly Mr. Sillerman. It may be difficult to find a sufficiently qualified individual to replace Mr. Sillerman or other key executives in the event of death, disability or resignation, resulting in our being unable to satisfactorily execute our business. The loss of one or more of our executive officers and directors could slow the growth of our business, or it may cease to operate at all, which may result in the total loss of an investor's investment.

Compensation may be paid to our executive officers, directors and employees regardless of our profitability, which may limit our ability to finance our business and adversely affect our business.

Mr. Sillerman and other executive officers are receiving compensation, and other current and future employees of our company may be entitled to receive compensation, payments and reimbursements regardless of whether we operate at a profit or a loss. Any compensation received by Mr. Sillerman or any other senior executive in the future will be determined from time to time by our Board of Directors or our Compensation Committee. Such obligations may negatively affect our cash flow and our ability to finance our business, which could cause our business to fail.

Some of our executive officers and directors may have conflicts of interest in business opportunities that may be disadvantageous to us.

Mr. Sillerman and Mitchell J. Nelson, our Executive Vice President, Secretary and a director, are each engaged in other business endeavors, including Circle Entertainment Inc. ("Circle"), in which Mr. Nelson is an executive officer. Mr. Sillerman is also the Chairman of SFX, a company in the live entertainment business. Under Mr. Sillerman's employment agreement, he is obligated to devote his working time to our affairs, but may continue to perform his responsibilities as an executive officer of SFX and as a director of Circle, and may be involved in other outside non-competitive businesses. Mr. Sillerman has agreed to present to us any business opportunities related to or appropriate for our business. Pursuant to Mr. Nelson's employment agreement, he is obligated to devote such time and attention to the affairs of our company as is necessary for him to perform his duties as Executive Vice President. He is

also entitled to perform similar functions for Circle and performs general legal duties for SFX pursuant to an agreement with SFX. In addition, one of our directors, Michael Meyer, is a member of the board of directors and chair of the audit committee of Circle. Although Circle, SFX and our company have generally different business plans, interests and programs, it is conceivable there may be a conflict of interest in determining where a potential opportunity should be brought. Conflicts of interest are prohibited as a matter of corporate policy, except under guidelines approved by the Board of Directors, as set forth in our Code of Business Conduct and Ethics. Our Code of Business Conduct and Ethics also sets forth the procedures to follow in the event that a potential conflict of interest arises. In addition, not having the full time and attention of the executive officers could cause our business results to suffer.

Our business and growth may suffer if we are unable to attract and retain key officers or employees.

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Our ability to expand operations to accommodate our anticipated growth will depend on our ability to attract and retain qualified media, management, finance, marketing, sales and technical personnel. However, competition for these types of employees is intense due to the limited number of qualified professionals. Our ability to meet our business development objectives will depend in part on our ability to recruit, train and retain top quality people with advanced skills who understand our technology and business. No assurance can be given that we will be successful in this regard. If we are unable to engage and retain the necessary personnel, our business may be materially and adversely affected.

We are uncertain of our ability to manage our growth.

Our ability to grow our business is dependent upon a number of factors, including our ability to hire, train and assimilate management and other employees, the adequacy of our financial resources, our ability to identify and efficiently provide such new products and services as our customers may require in the future, and our ability to adapt our own systems to accommodate expanded operations.

Because of pressures from competitors with more resources, we may fail to implement our business strategy profitably.

The digital and mobile technology business is highly fragmented, extremely competitive, and subject to rapid change. The market for customers is intensely competitive and such competition is expected to continue to increase. We believe that our ability to compete depends upon many factors within and beyond our control, including the timing and market acceptance of new solutions and enhancements to existing businesses developed by us and our competitors. We are an entertainment company that utilizes digital media. If we are successful, larger and more established entertainment companies, with significantly greater resources, may try to enter the market with similar technologies, and may be in better competitive positions than we are. Many consumers maintain simultaneous relationships with multiple digital brands and products and can easily shift consumption from one provider to another. Our principal competitors are in segments such as:

- Websites providing entertainment news and video
- Daily fantasy sports companies

Additionally, new competitors may be able to launch new businesses at relatively low cost. Either existing or new competitors may develop new technologies, and our existing and potential advertisers may shift their advertising expenditures to these new technologies. We cannot be sure that we will be able to successfully execute our business in the face of such competition.

Failure to successfully grow businesses of Wetpaint, Choose Digital or DraftDay in the expected time frame may adversely affect our future results.

The success of our acquisitions of Wetpaint, Choose Digital and DraftDay will depend, in part, on our ability to realize the anticipated benefits from such businesses. To realize these anticipated benefits, the businesses of Choose Digital, Wetpaint, and DraftDay must be successfully integrated and combined. If users of each of the Choose Digital, Wetpaint, and DraftDay services do not prove to have an affinity to the new complementary services they are introduced to, results of the combination could be worse than anticipated. Our management may face significant challenges in consolidating Choose Digital's, Wetpaint's, and DraftDay's functions, integrating the technologies, organizations, procedures, policies and operations, as well as addressing the different business cultures at the two companies, and retaining key personnel. If Choose Digital, Wetpaint, and DraftDay are not successfully integrated, the anticipated benefits of our acquisitions of Choose Digital, Wetpaint, and DraftDay may not be realized fully or at

all or may take longer to realize than expected. The integration may also be complex and time consuming, and require substantial resources and effort. The integration process and other disruptions resulting from our acquisitions of Choose Digital, Wetpaint, Dijit and Choose Digital may disrupt each company's ongoing businesses and/or adversely affect their relationships with employees, users, and others with whom they have business or other dealings.

We will still incur significant transaction and merger-related expenses in connection with our acquisition of Choose Digital.

In connection with our acquisition of Choose Digital, we were required to make a contingent payment, which was due within five business days after June 24, 2015, of \$4,792. On July 31, 2015, we entered into a Forbearance Agreement with AmosyKlein Family Holdings, LLLP ("AmosyKlein"), as representative of the former shareholders of Choose Digital Inc. (the "Stockholders"). The Forbearance Agreement provided that we would make monthly installment payments to the Stockholders, beginning on July 31, 2015 and ending on January 29, 2016. Specifically, the Company agreed to pay \$668 on July 31, 2015; \$532 on August 31, 2015; \$527 on September 30, 2015; \$523 on October 31, 2015; \$521 on November 30, 2015; \$517 on December 31, 2015; and \$1,754 on January 29, 2016. The Company agreed to deliver an affidavit of confession of judgment to be held in escrow by

AmossyKlein's counsel in the event the Company does not make such installment payments. The Company made the installment payments through December 2015, but failed to make the payment due on January 29, 2016. On May 12, 2016, the Company and AmossyKlein entered into an amendment to the Forbearance Agreement to provide for the payment of the remaining \$1,754. The Forbearance Agreement provides that we will make a payment of approximately \$300 by May 18, 2016, and thereafter, we will make monthly payments of \$100, plus interest, until the remaining amount is paid in full. In addition, we agreed to pledge 100,000 shares of common stock we hold in Perk.com, Inc. as collateral for these obligations. Finally, we agreed if we consummate a sale of a substantial part of our assets or a public equity offering, we will first apply the proceeds to remaining amounts due to AmossyKlein, except for payments to advisors or expenses necessary to close such transactions. We also agreed to amend the confession of judgment. These payments under the amended forbearance agreement will create additional strain on our limited cash resources. In addition, the requirement to accelerate payments on a sale of a substantial part of our assets or from a public equity offering may hinder our access to additional cash.

We will incur significant transaction and merger-related expenses in connection with our acquisition of our interest in DraftDay Gaming Group, Inc.

In connection with our acquisition of an interest in DraftDay Gaming Group, Inc., the Company was required to make payments pursuant to promissory note in the principal amount of \$2,000 on March 8, 2016. The Company negotiated with the holders of these notes to pay a portion of the outstanding amounts in common stock of the Company. The Company was able to retire approximately \$1,000 of the amounts outstanding under the notes through the issuance of 2,956,240 shares of our common stock and 110 shares of our Series D preferred stock. The 110 shares of our common stock were convertible into 366,630 shares of our common stock. Approximately \$1,000 of the principal amount of these notes remains outstanding and will now be payable on July 31, 2016. The Company intends to enter into negotiations with the noteholders to similarly retire some or all of the remaining portion of the notes in equity. However, there is no assurance that we will be able to do so. In addition, if we are successful, the issuance of additional equity in satisfaction of these notes would result in dilution to existing stockholders.

If we do not continue to develop and offer compelling content, products and services and attract new consumers or maintain the engagement of our existing consumers, our advertising revenues could be adversely affected.

In order to attract consumers and maintain or increase engagement on our Choose Digital and Wetpaint properties, we believe we must offer compelling content, products and services. Acquiring, developing and offering new content, products and services, as well as new functionality, features and enhanced performance of our existing content, products and services, may require significant investment and time to develop. In addition, consumer tastes are difficult to predict and subject to rapid change. If we are unable to develop online content, products and services that are attractive and relevant to Choose Digital and Wetpaint users, we may not be able to maintain or increase our existing users' engagement on or attract new consumers to Choose Digital and Wetpaint and as a result our search rankings, traffic and usage metrics, and advertising revenues may be adversely affected.

Wetpaint relies on social media posts to drive traffic to its websites. Changes in rules, algorithms, and display formats of social media sites could result in a reduction in such traffic.

Wetpaint relies on posts on various social media platforms, including Facebook and Twitter, to drive users to its websites. In the event that Facebook or Twitter changes their respective terms and conditions to prevent such activity by Wetpaint, Wetpaint's user numbers could decrease. Further, these platforms change their algorithms and application programming interfaces, or API's, in the ordinary course of business, often without notice or explanation to publishers. Changes to these algorithms and API's may reduce the effectiveness of Wetpaint's publishing capabilities, and result in temporary or permanent reductions to the net numbers of fans and followers added each month, as well as the rate at which Wetpaint content is displayed to users and clicked upon. In such cases, traffic to Wetpaint websites could be

adversely affected.

Wetpaint relies upon traffic from search engines such as Google to bring an influx of website visitors each month. Search engine traffic is dynamic in nature, and is subject to an ever-changing mix of user-entered keywords, competitive offerings, and algorithmic fluctuations by the search engines themselves.

Search engines such as Google represent a significant source of Wetpaint traffic, and the originating source for many users who become Wetpaint fans and followers on the social networks. The ranking of Wetpaint content in the various search engines is always changing, and relates to algorithmic assessments by the search engines compared to offerings that compete with Wetpaint. The popular keywords for which Wetpaint ranks highly could subside in their popularity, or Wetpaint may fail to maintain the rankings that it has had for such keywords. In addition, as new keywords become popular, Wetpaint content may fail to rank highly for those keywords.

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If Wetpaint does not maintain talent, access, and reputation among sources for news stories, we would lose access to stories and our traffic and revenues could suffer.

Wetpaint is reliant upon an editorial organization and freelance talent that secures proprietary access to stories that interest our audience. Our ability to identify and create content that interests the audience is dependent on maintaining and growing our access to talent and sources. If we lose key editorial talent, or our reputation is not maintained, we could lose our ability to create the content that garners audience interests, and traffic and our revenues could be adversely affected.

Choose Digital previously generated a significant amount of its content sales through the Viggle app, which has now been sold to Perk. If Perk does not offer content provided by Choose Digital, or if it uses less content provided by Choose Digital than the Company used previously, Choose Digital's business could suffer.

The Viggle app, which provides rewards to its users, previously offered digital content provided through Choose Digital. The content provided through the Viggle app was a significant part of Choose Digital's sales. The Viggle app is now owned and operated by Perk. There can be no assurance that Perk will offer digital content provided through Choose Digital, or that Perk will offer digital content at the same levels that were offered historically. Therefore, Choose Digital's revenues may decline considerably.

Choose Digital is dependent on its business relationships with providers of digital content. If the Company is unable to maintain those relationships, Choose Digital's business could suffer.

Choose Digital's business model is to provide digital content to loyalty programs. Accordingly, Choose Digital maintains business relationships with various providers of digital content. If the Company is unable to make payments to maintain its business relationships with the providers of digital content, Choose Digital will not be able to offer its clients the range of digital content it has historically been able to, which could cause Choose Digital's revenues to decline. Choose Digital is late in payments to providers of digital content, and as a result, its supply of digital content could be jeopardized. If the supply of digital content is jeopardized, Choose Digital could lose its clients and its revenue streams.

Our business will suffer if our network systems fail or become unavailable.

A reduction in the performance, reliability and availability of our network infrastructure would harm our ability to distribute our products to our users, as well as our reputation and ability to attract and retain users and content providers. Our systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, Internet breakdown, earthquake and similar events. Our systems could also be subject to viruses, break-ins, sabotage, acts of terrorism, acts of vandalism, hacking, cyber-terrorism and similar misconduct. We might not carry adequate business interruption insurance to compensate us for losses that may occur from a system outage. Any system error or failure that causes interruption in availability of products, or an increase in response time, could result in a loss of potential customers or content providers, which could have a material adverse effect on our business, financial condition and results of operations. If we suffer sustained or repeated interruptions, our products and services could be less attractive to our users and our business would be materially harmed.

The SEC opened a formal order of investigation relating to a matter regarding certain dealings in our securities by an unaffiliated third party. In addition, we have also received an informal request from the SEC for the voluntary production of documents and information concerning certain aspects of our business and technology. Although we have provided documents in response to the SEC's request, there is no assurance that the SEC will not take any action against us.

The SEC opened a formal order of investigation relating to a matter regarding certain dealings in our securities by an unaffiliated third party. We have also received an informal request from the staff of the SEC, dated June 11, 2012, for the voluntary production of documents and information concerning certain aspects of our business and technology. We initially provided documents in response to such request on July 2, 2012, and we have provided supplements and documents for additional questions, as requested. We intend to cooperate with the SEC regarding this matter and any other requests we may receive. However, there is no assurance that the SEC will not take any action against us. A determination by the SEC to take action against us could be costly and time consuming, could divert the efforts and attention of our directors, officers and employees from the operation of our business and could result in sanctions against us, any or all of which could have a material adverse effect on our business and operating results.

Changes to federal, state or international laws or regulations applicable to our business could adversely affect our business.

Our business is subject to a variety of federal, state and international laws and regulations, including those with respect to privacy, advertising generally, consumer protection, content regulation, intellectual property, defamation, child protection, advertising to and collecting information from children, taxation, employment classification and billing. These laws and regulations, and the

interpretation or application of these laws and regulations, could change. In addition, new laws or regulations affecting our business could be enacted. These laws and regulations are frequently costly to comply with and may divert a significant portion of management's attention. If we fail to comply with these applicable laws or regulations, we could be subject to significant liabilities which could adversely affect our business.

There are many federal, state and international laws that may affect our business, including measures to regulate consumer privacy, the use of copyrighted material, the collection of certain data, network neutrality, patent protection, cyber security, child protection, subpoena and warrant processes, taxes and tax reporting (including issuing IRS 1099 forms to our users), gift cards, employee classification, employee health care, and others. If we fail to comply with these applicable laws or regulations we could be subject to significant liabilities which could adversely affect our business.

In addition, most states have enacted legislation governing the breach of data security in which sensitive consumer information is released or accessed. If we fail to comply with these applicable laws or regulations we could be subject to significant liabilities which could adversely affect our business.

Many of our potential partners are subject to industry specific laws, regulations or licensing requirements, including in the following industries: pharmaceuticals, online gaming, alcohol, adult content, tobacco, firearms, insurance, securities brokerage, real estate, sweepstakes, free trial offers, automatic renewal services and legal services. If any of our advertising partners fail to comply with any of these licensing requirements or other applicable laws or regulations, or if such laws and regulations or licensing requirements become more stringent or are otherwise expanded, our business could be adversely affected. Furthermore, these laws may also limit the way we advertise our products and services or cause us to incur compliance costs, which could affect our revenues and could further adversely impact our business.

There are a number of significant matters under review and discussion with respect to government regulations which may affect the business we intend to enter and/or harm our customers, and thereby adversely affect our business, financial condition and results of operations.

Our business has substantial indebtedness and trade payables

We currently have, and will likely continue to have, a substantial amount of indebtedness and trade payables. These obligations could, among other things, make it more difficult for us to satisfy our debt obligations, require us to use a large portion of our cash flow from operations to repay and service our debt or otherwise create liquidity problems, limit our flexibility to adjust to market conditions, place us at a competitive disadvantage and expose us to interest rate fluctuations. As of March 31, 2016, we had total indebtedness of approximately \$26,000 and trade payables of approximately \$8,500, in addition to the transaction and merger-related expenses relating to the acquisitions of Choose Digital and an interest in the DraftDay Business. The \$26,000 is subject to security agreements in favor of Robert F.X. Sillerman or his affiliates which are set forth in Exhibits 10.67, 10.68 and 10.69.

While we have attempted to settle with many of the vendors to which the trade payables are owed, there can be no assurances that we will be able to do so at all or be able to do so on favorable terms. Failure to settle these trade payables could result in litigation, which could lead to attachments and liens on our assets. In addition, vendors could potentially seek to file against us involuntary reorganization proceedings.

We expect to obtain the money to pay our expenses, to pay our trade payables and to pay the principal and interest on our indebtedness from cash flow from our operations and potentially from other debt or equity offerings. Accordingly, our ability to meet our obligations depends on our future performance and capital raising activities, which will be affected by financial, business, economic and other factors, many of which are beyond our control. If our cash flow

and capital resources prove inadequate to allow us to pay the principal and interest on our debt and meet our other obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations, restructure or refinance our debt, which we may be unable to do on acceptable terms, and forgo attractive business opportunities. In addition, the terms of our existing or future debt agreements may restrict us from pursuing any of these alternatives.

Our earnings are subject to substantial quarterly and annual fluctuations and to market downturns.

Our revenues and earnings may fluctuate significantly in the future. General economic or other political conditions may cause a downturn in the market for our products or services. Despite the recent improvements in market conditions, a future downturn in the market for our products or services could adversely affect our operating results and increase the risk of substantial quarterly and annual fluctuations in our earnings. Our future operating results may be affected by many factors, including, but not limited to: our ability to retain existing or secure anticipated advertisers and publishers; our ability to develop, introduce and market new products and services on a timely basis; changes in the mix of products developed, produced and sold; and disputes with our

advertisers and publishers. These factors affecting our future earnings are difficult to forecast and could harm our quarterly and/or annual operating results.

Public company compliance may make it more difficult to attract and retain officers and directors.

The Sarbanes-Oxley Act and new rules subsequently implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, we expect these new rules and regulations to increase our compliance costs in fiscal 2016 and beyond and to make certain activities more time consuming and costly. As a public company, we also expect that these new rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board of Directors or as executive officers.

If we fail to establish and maintain an effective system of internal control, we may not be able to report our financial results accurately and timely or to prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of our common stock.

Effective internal control is necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. We are required to establish and maintain appropriate internal controls over financial reporting and disclosure controls and procedures. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations.

As discussed in this Form 10-Q, we have noted a material weakness in internal control over our financial reporting and disclosure controls and procedures. We intend to remediate this issue and have started efforts in that regard. There is no assurance that we will be able to do so.

We made an investment in DraftDay Gaming Group, Inc., which operates a daily fantasy sports website. Companies with daily fantasy sports offerings operate in an unclear and evolving regulatory environment. If a regulator, state attorney general or US Attorney takes the position that DraftDay's business operates in violation of applicable laws, or if laws are changed, it could force DraftDay to cease operating in certain states or to change its business models in ways that could materially and negatively impact its business. Current regulations require that the DraftDay Business operate in a manner that may result in financial risk.

At a U.S. federal level, Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) prohibits online gambling practices, but exempts fantasy sports, as long as they operate within certain parameters. The UIGEA specifically exempts fantasy sports games, educational games, or any online contest that "has an outcome that reflects the relative knowledge of the participants, or their skill at physical reaction or physical manipulation (but not chance), and, in the case of a fantasy or simulation sports game, has an outcome that is determined predominantly by accumulated statistical results of sporting events, including any non-participant's individual performances in such sporting events..." However, all prizing must be determined and announced in advance of the competition and cannot be influenced by the fees or number of participants. This creates financial risk because we must determine prizes for games in advance, and if we do not have enough paying players in a game to cover the amount of the prize for the game, we could experience significant losses.

DDGG's business is subject to an evolving legislative and regulatory landscape. Some states employ either a "predominance" test or a "material factor" test to determine whether a game is one of skill or conversely have specific

laws prohibiting pay-to-play fantasy sports. Therefore, DDGG does not operate in Arizona, Iowa, Louisiana, Montana, Nevada, Vermont or Washington. In addition, on November 10, 2015, the New York State Attorney General issued a letter to FanDuel and DraftKings, two of the largest competitors in the fantasy sports industry, stating that it believes that their activities constitute illegal gambling under New York law, and instructing them to cease their offerings to New York residents. As a result, DDGG has ceased its fantasy sports offerings to New York residents, pending further developments on the matter. In addition, several state Attorneys General have issued opinions that daily fantasy either does or does not meet the states standards under their current laws. In those states with negative treatment, DDGG has suspended services until there is further clarity in those states through the legal, legislative, and regulatory processes. Approximately 33 states have introduced legislation authorizing and regulating daily fantasy sports ranging from clarifying current state laws to adding new laws regarding daily fantasy sports. DDGG continues to monitor the changing landscape and advocates a favorable position for daily fantasy sports in each of these states. However, any such change could materially and adversely affect DraftDay's business.

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DraftDay competes against well-established competitors in the fantasy sports industry. If DraftDay's products do not achieve market acceptance, it may be unable to generate revenues, may experience significant losses, and may require additional capital to continue operations.

DraftDay competes with FanDuel and DraftKings, two established companies in the fantasy sports industry, as well as other competitors. Those competitors have already achieved a higher degree of market acceptance and have a large amount of resources to continue to expand their brands and competitive positions. Competing directly with these more established companies would require significant capital resources. In order to compete, DraftDay intends to establish marketing and white label relationships with various third parties. However, there can be no assurance that this strategy will be successful, that DraftDay will be able to establish any such white label or marketing relationships or, even if it does, that such relationships will be successful in competing against other competitors in the industry.

We own a significant but minority interest in DraftDay. DraftDay has a management services agreement with Sportech Racing, LLC pursuant to which Sportech provides management services to DraftDay. Having management services provided by a third party could create conflicts of interest and could cause DraftDay's management to be less focused on the development of DraftDay's business. DraftDay's business is heavily dependent on services provided by Sportech pursuant to the management services agreement. These services will be terminated in the coming months.

DraftDay entered into a management services agreement with Sportech Racing, LLC. Under the agreement, Sportech currently manages the day-to-day operations of the company. The chief executive officer of DraftDay is an employee of Sportech. Not having the full time and attention of the chief executive officer or other individuals providing services to DraftDay could cause DraftDay's business results to suffer. In addition, certain other of our employees will need to attend to the needs of DraftDay, which could divert their time and attention as well.

On April 12, 2016, DraftDay entered into an amendment to the management services agreement pursuant to which the agreement will be terminated in the coming months. The termination of the management services agreement will require DraftDay to begin performing certain functions on its own. There can be no assurance that the transition will be seamless, and DraftDay's business could suffer as a result. In addition, DraftDay could incur additional costs to replace the services that were previously being provided by Sportech, which could cause DraftDay to experience liquidity issues if it does not raise capital in the near term.

The Company has suffered a loss of human capital as a result of the Perk transaction. If we are unable to replace the employees lost, we may not be able to take advantage of opportunities in the marketplace.

As a result of the Perk transaction and the resulting changes in the Company's business, many of our employees have become Perk employees and others have left the Company. If we are unable to replace these employees, we may not have the manpower necessary to sell advertising, to market and publicize our businesses and to take advantage of changing market conditions.

We may be unable to compete with larger or more established companies.

We face a large and growing number of competitors across all our lines of business. Wetpaint is a content publisher, and it faces many competitors with far greater resources. It faces competition from traditional media sources, such as newspapers and magazines, many of which have their own digital properties, as well as competition from other digital and online publishers, such as BuzzFeed and Vox Media., and many others. Many of these competitors have substantially greater financial, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition, and more established relationships in these industries than do we. In addition, as described in greater detail above, DraftDay faces competition from DraftKings and FanDuel, each of which has far greater established customer bases, name recognition, marketing resources and financial resources than DraftDay. As a result,

certain of these competitors may be in better positions to compete with us for customers and audiences. Further, our current and/or future competitors in the digital and mobile technology industry may develop or license technology that is similar to ours. We cannot be sure that we will be able to compete successfully with existing or new competitors.

Although it cannot use the technology licensed to it by us to compete with our current business, SFX may have the ability to compete with us in future lines of business.

Although our license agreement with SFX does not permit SFX to use our technology in a manner or for applications that we believe would be competitive with our current or proposed operations and businesses, the license agreement does provide SFX with the ability to use our technology within a relatively broad range, which could result in SFX using our technology to compete with us in other businesses we may elect to pursue in the future.

If our products do not achieve market acceptance, we may not have sufficient financial resources to fund our operations or further development.

While we believe that a viable market exists for our products, there is no assurance that our technology will prove to be an attractive alternative to conventional or competitive products in the markets that we have identified. In the event that a viable market for our products cannot be created for our business or our products do not achieve market acceptance, we may need to commit greater resources than are currently available to develop a commercially viable and competitive product. There can be no assurance that we would have sufficient financial resources to fund such development or that such development would be successful. In addition, if our products do not generate sufficient revenues, or we are unable to raise additional capital, we may be unable to fund our operations. Our ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond our control. There can be no assurance that, when required, sufficient funds will be available to us on satisfactory terms.

We may be unable to protect our intellectual property rights from third-party claims and litigation, which could be expensive, divert management's attention, and harm our business.

Our success is dependent in part on obtaining, maintaining and enforcing our proprietary rights and our ability to avoid infringing on the proprietary rights of others. We seek patent protection for those inventions and technologies for which we believe such protection is suitable and is likely to provide a competitive advantage to us. Because patent applications in the United States are maintained in secrecy until either the patent application is published or a patent is issued, we may not be aware of third-party patents, patent applications and other intellectual property relevant to our products that may block our use of our intellectual property or may be used in third-party products that compete with our products and processes. In the event a competitor or other party successfully challenges our products, processes, patents or licenses, or claims that we have infringed upon their intellectual property, we could incur substantial litigation costs defending against such claims, be required to pay royalties, license fees or other damages or be barred from using the intellectual property at issue, any of which could have a material adverse effect on our business, operating results and financial condition.

We also rely substantially on trade secrets, proprietary technology, nondisclosure and other contractual agreements, and technical measures to protect our technology, application, design, and manufacturing know-how, and work actively to foster continuing technological innovation to maintain and protect our competitive position. We cannot assure you that steps taken by us to protect our intellectual property and other contractual agreements for our business will be adequate, that our competitors will not independently develop or patent substantially equivalent or superior technologies or be able to design around patents that we may receive, or that our intellectual property will not be misappropriated.

In addition, we use open source software in our services and will continue to use open source software in the future. From time to time, we may be subject to claims brought against companies that incorporate open source software into their products or services, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license, or require us to devote additional research and development resources to changing our products or services, any of which would have a negative effect on our business and results of operations.

On April 29, 2016, we entered into a Binding Term Sheet with Rant, Inc. to acquire substantially all of Rant's assets. Though the term sheet is binding, the transaction is subject to continued due diligence and negotiation of final documentation. We could also be subject to a \$1,000 break-up fee if we do not proceed to closing, except in certain circumstances. In addition, if the transaction closes, it will result in dilution to our stockholders.

On April 29, 2016, we entered into a Binding Term Sheet (the “Binding Term Sheet”) with Rant, Inc. (“Rant”). In connection with the Binding Term Sheet, we agreed to purchase the assets of the Rant business (the “Transaction”). As consideration for the assets, Rant will receive the following consideration: (a) \$5,000 cash (the “Cash Consideration”), and (b) shares of our common stock equal to an amount between 20% and 24% of our total outstanding common stock (the “Share Consideration”). The Share Consideration shall be determined by the mutual agreement of the parties. The cash consideration shall initially be advanced by us as a loan to Rant, which will be deemed satisfied provided Rant delivers audited financial statements to us within 45 days of the closing of the Transaction. The Transaction is subject to the preparation of definitive documents. Because the documents are subject to a number of conditions that must be satisfied by each of the parties, there is no assurance that the proposed terms may not be changed or that any transaction may be consummated.

Additionally, if we do not proceed to execution of definitive documents for any reason except (i) a breach by Rant of its obligations under the Binding Term Sheet or (ii) if information regarding Rant’s 2015 revenues, cost of goods sold exclusive of non-cash items) and traffic statistics previously provided to us by Rant is materially incorrect, we must pay Rant a \$1,000 break-up fee.

If the Transaction does proceed to closing, the Transaction will result in our issuing Rant a significant number of shares of our common stock. Accordingly, the Transaction will be dilutive to our stockholders.

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ITEM 2. Unregistered Sale of Equity and Use of Proceeds

As previously reported on the Company's Current Report on Form 8-K filed on March 30, 2016, the Company entered into an exchange agreement with MGT Sports, Inc. ("MGT"), pursuant to which the Company issued 2,748,353 shares of its common stock and 110 shares of its Series D Preferred Stock in exchange for a reduction of \$934 in principal amount of a promissory note the Company owed to MGT. The shares of Series D Preferred Stock were convertible into 366,630 shares of the Company's common stock, and MGT converted all 110 shares on April 13, 2016, so that there are no shares of Series D Preferred Stock that remain outstanding, and MGT was issued an additional 366,630 shares of common stock.

All such shares issued to MGT were issued in a transaction exempt from registration under the Securities Act of 1933, as amended, in reliance on Section 4(a)(2) thereunder and Rule 506 of Regulation D promulgated thereunder.

On April 25, 2016, the Company also entered into an exchange agreement with Kuusamo Capital Ltd. ("Kuusamo"), pursuant to which the Company issued 207,887 shares of its common stock to Kuusamo in exchange for a reduction of \$71 in principal amount of a promissory note the Company owed to Kuusamo.

All such shares issued to Kuusamo were issued in a transaction exempt from registration under the Securities Act of 1933, as amended, in reliance on Section 4(a)(2) thereunder and Rule 506 of Regulation D promulgated thereunder.

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Amendment to Forbearance Agreement

In connection with the Company's acquisition of Choose Digital, the Company was required to make a contingent payment, which was due within five business days after June 24, 2015, of \$4,792. On July 31, 2015, the Company entered into a Forbearance Agreement with AmosyKlein Family Holdings, LLLP ("AmosyKlein"), as representative of the former shareholders of Choose Digital Inc. (the "Stockholders"). The Forbearance Agreement provided that the Company will make monthly installment payments to the Stockholders, beginning on July 31, 2015 and ending on January 29, 2016. Specifically, the Company agreed to pay \$668 on July 31, 2015; \$532 on August 31, 2015; \$527 on September 30, 2015; \$523 on October 31, 2015; \$521 on November 30, 2015; \$517 on December 31, 2015; and \$1,754 on January 29, 2016. The Company agreed to deliver an affidavit of confession of judgment to be held in escrow by AmosyKlein's counsel in the event the Company did not make such installment payments. The Company made the installment payments through December 2015, but failed to make the payment due on January 29, 2016.

On May 12, 2016, the Company and AmosyKlein entered into an amendment to the Forbearance Agreement to provide for the payment of the remaining \$1,754. The Forbearance Agreement now provides that the Company will make a payment of approximately \$300 by May 18, 2016, and thereafter, the Company will make monthly payments of \$100, plus interest at a rate of 9% per annum, until the remaining amount is paid in full. In addition, the Company

agreed to pledge 100,000 shares of common stock it holds in Perk.com, Inc. as collateral for these obligations. Finally, the Company agreed if it consummates a sale of a substantial part of its assets or a public equity offering, the Company will first apply the proceeds to remaining amounts due to AmossyKlein, except for payments to advisors or expenses necessary to close such transactions. The Company also delivered an amended confession of judgment that it had previously delivered to AmossyKlein, which will be held in escrow by AmossyKlein's counsel in the event the Company does not make installment payments as set forth in the amended Forbearance Agreement.

Additional Investment in DraftDay Gaming Group, Inc.

On May 12, 2016, the Company entered into a subscription agreement with DraftDay Gaming Group, Inc. ("DDGG") pursuant to which the Company agreed to purchase up to 550 shares of Series A Preferred Stock of DDGG for \$1 per share. DDGG also entered into a subscription agreement with Sportech Inc. ("Sportech") pursuant to which Sportech agreed to purchase up to 450 shares of Series A Preferred Stock of DDGG for \$1 per share.

ITEM 6. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

Exhibits

The documents set forth below are filed herewith.

Exhibit Number	Description
3.1	Certificate of Incorporation (1)
3.2	By-Laws (2)
4.3	Form of Warrant (3)
10.1	Function(x) 2011 Executive Incentive Plan. (4)
10.2	Employment Agreement, dated February 16, 2011, between Function(x) Inc. and Robert F.X. Sillerman (5)
10.3	Shared Services and Reimbursement Agreement, dated February 15, 2011, between Circle Entertainment Inc. and Function(x) Inc. (6)
10.4	Promissory Note, dated February 8, 2011, between Robert F.X. Sillerman and Function(x) Inc. (7)
10.5	Asset Purchase Agreement, dated September 29, 2011, among Mobile Messaging Solutions (MMS), Inc., Watchpoints, Inc. and Function(x) Inc. (8)
10.6	Form of Unit Subscription Agreement for the Registrant's private placement in August of 2012 (9)
10.7	MMS Registration Rights Agreement (10)
10.8	Line of Credit Agreement dated December 23, 2011 between Function(x) Inc. and TIPPT Media Inc. (11)
10.9	Stockholders Agreement dated December 23, 2011 among Function(x) Inc., TIPPT Media Inc. and the other stockholders named therein. (12)
10.10	Loyalize Asset Purchase Agreement dated December 31, 2011 among Function(x) Inc., FN(x) I Holding Corporation and Trusted Opinion Inc. (13)
10.11	Amended and Restated Promotional Services Agreement, dated as of December 21, 2011, by and among TIPPT Media Inc., The 100 Mile Group, LLC and Jesse Itzler (14)
10.12	Form of Line of Credit Grid Promissory Note (15)
10.13	Form of Unit Subscription Agreement with respect to the registrant's private placement in May of 2012 (16)
10.14	Form of Warrant issued in the registrant's private placement in May of 2012 (17)
10.15	Limited Recourse Promissory Note issued by Tippt LLC in favor of the registrant, dated as of May 14, 2012 (18)
10.16	Amended and Restated Promissory Note issued by Tippt Media Inc. in favor of the registrant, dated as of May 14, 2012 (19)
10.17	Amended and Restated Stockholders Agreement, by and among Tippt Media, Inc., the registrant and the other stockholders of Tippt Media, Inc. (20)
10.18	Form of Line of Credit Grid Promissory Note dated as of June 29, 2012, issued by the registrant in favor of Sillerman Investment Company LLC (21)
10.19	Employment Agreement between Function(x) Inc. and John Small, dated as of August 16, 2011 (22)
10.20	Consulting Agreement between Viggle Inc. and Benjamin Chen, dated as of September 12, 2011 (23)
10.21	Employment Agreement, dated May 11, 2011 between Function(x) Inc. and Gregory Consiglio, as amended (24)

- 10.22 Amended and Restated Line of Credit Agreement, dated October 25, 2012, between Viggle Inc. and Sillerman Investment Company LLC (25)
- 10.23 Agreement and Plan of Merger, dated as of November 16, 2012 (26)
- 10.24 Amended and Restated Line of Credit Grid Promissory Note, dated as of December 3, 2012, between Viggle Inc. and Sillerman Investment Company LLC (27)
- 10.25 Amended and Restated Line of Credit Grid Promissory Note, dated as of December 12, 2012, between Viggle Inc. and Sillerman Investment Company LLC (28)
- 10.26 Amended and Restated Line of Credit Grid Promissory Note, dated as of January 4, 2012, between Viggle Inc. and Sillerman Investment Company LLC (29)
- 10.27 Line of Credit Grid Promissory Note, dated as of February 11, 2013, between Viggle Inc. and Sillerman Investment Company II, LLC (30)
- 10.28 Term Loan Agreement, dated as of March 11, 2013, between Viggle Inc. and Deutsche Bank Trust Company Americas (31)
- 10.29 Guarantee Warrant (32)
- 10.30 \$25,000,000 Line of Credit Note, dated as of March 11, 2013, between Viggle Inc. and Sillerman Investment Company II LLC (33)
- 10.31 Exchange Agreement, dated as of March 11, 2013, between Viggle Inc. and Sillerman Investment Company LLC (34)
- 10.32 8% Note, dated as of March 11, 2013, between Viggle Inc. and Sillerman Investment Company LLC (35)
- 10.33 Security Agreement for the \$25,000,000 Line of Credit Note, dated as of March 11, 2013 (36)
- 10.34 Security Agreement for the 8% Note, dated as of March 11, 2013 (37)
- 10.35 Subordination Agreement dated as of March 11, 2013 (38)
- 10.36 Rescission Agreement dated as of September 16, 2013(39)
- 10.37 Waiver, dated as of September 16, 2013 (39)
- 10.38 Certificate of Elimination (39)
- 10.39 Certificate of Designations of the Series A Convertible Preferred Stock (39)
- 10.40 Certificate of Designations of the Series B Convertible Preferred Stock (39)
- 10.41 Exchange Agreement, dated as of September 16, 2013 (39)
- 10.42 Warrant (39)
- 10.43 PIPE Exchange Agreement (39)
- 10.44 Form of Subordination Agreement (40)
- 10.45 Form of Exchange Agreement for LOC Investors (41)
- 10.46 Form of Commitment Letter under New \$25,000,000 Line of Credit (42)
- 10.47 Agreement and Plan of Merger, dated as of December 16, 2013, by and among Viggle Inc., Viggle Merger Sub Inc., wetpaint.com, Inc., certain stockholders of wetpaint.com, Inc. (solely with respect to Articles 1, 5 and 6 and Subsection 11.1) and the Shareholder Representative Services LLC (solely in its capacity as the Stockholders' Agent) (43)
- 10.48 Promissory Note, dated as of December 11, 2013, issued by Viggle Inc. to Sillerman Investment Company II LLC (44)
- 10.49 Second Amendment, dated as of December 13, 2013, by and between Viggle Inc. and Deutsche Bank Trust Company Americas, and its successors and assigns (45)

- 10.50 Amended and Restated Viggle Inc. 2011 Executive Incentive Plan (46)
- 10.51 Revolving Loan Agreement (47)
- 10.52 Stockholders Agreement, dated as of January 29, 2014, by and among the registrant, Nancy Lee, as representative and former stockholders of Dijit Media, Inc. (48)
- 10.53 Amended Form of Warrant for May 2012 PIPE Transaction (49)
- 10.54 Third Amendment, dated as of February 13, 2014, by and between Viggle Inc. and Deutsche Bank Trust Company Americas, and its successors and assigns (50)
- 10.55 Form of Certificate of Amendment to Articles of Incorporation (51)
- 10.56 Fourth Amendment, dated as of March 11, 2014, by and between Viggle Inc. and Deutsche Bank Trust Company Americas, and its successors and assigns (52)
- 10.57 Pledge and Security Agreement, dated as of March 11, 2014, by and between Viggle Inc. and Deutsche Bank Trust Company Americas, and its successors and assigns (53)
- 10.58 Software License and Services Agreement, dated as of March 10, 2014, by and between Viggle Inc. and SFX Entertainment, Inc. (54)
- 10.59 Amendment to Articles of Incorporation of Viggle Inc. (55)
- 10.60 Amendment to the Employment Agreement of Robert F.X. Sillerman (56)
- 10.61 Form of Amendment to the Employment Agreements of Gregory Consiglio, John Small and Kevin Arrix (57)
- 10.62 Form of Exchange Agreement with Holders of Series A Convertible Preferred Stock and Series B Convertible Preferred Stock (58)
- 10.63 Agreement and Plan of Merger, dated as of June 24, 2014, by and among Viggle Inc., Viggle Merger Sub III Inc., Choose Digital Inc., certain stockholders of Choose Digital Inc., and (solely with respect to Articles 1, 5 and 6 and Subsection 10.1) Amosyklein Family Holdings, LLLP (solely in its capacity as the Stockholders' Agent) (59)
- 10.64 Subscription Agreement dated December 3, 2016 between Sillerman Investment Company IV, LLC and Viggle Inc. (60)
- 10.65 Asset Purchase Agreement dated December 13, 2015 between Viggle Inc. and Perk.com, Inc. (61)
- 10.66 Credit Agreement dated December 13, 2015 between Viggle Inc. and Perk.com, Inc. (62)
- 10.67 Secured Revolving Promissory Note dated January 27, 2016 between Viggle Inc., wetpaint.com, Inc. and Choose Digital, Inc. and Sillerman Investment Company VI, LLC (63)
- 10.68 Security Agreement, effective as of December 31, 2015, between Viggle Inc., wetpaint.com, Inc., and Choose Digital, Inc. and Sillerman Investment Company III, LLC (64)
- 10.69 Security Agreement, effective as of December 31, 2015, between Viggle Inc., wetpaint.com, Inc., and Choose Digital, Inc. and Sillerman Investment Company IV, LLC (65)
- 10.70 Exchange Agreement by and between the Company and MGT Sports, Inc., dated as of March 24, 2016 (66)
- 10.71 Revolving Secured Promissory Note, dated as of March 29, 2016, in favor of Sillerman Investment Company VI, LLC (67)
- 10.72 Security Agreement, dated as of March 29, 2016, by and between the registrant, its subsidiaries Choose Digital, Inc. and wetpaint.com, inc., and Sillerman Investment Company VI, LLC (68)
- 10.73 Binding Term Sheet, dated as of April 29, 2016, by and between the registrant and Rant, Inc. relating to the purchase of the assets of Rant, Inc. by the registrant (69)
- 10.74 Binding Term Sheet, dated as of April 29, 2016, by and between the registrant and Rant, Inc. relating to a loan from Rant, Inc. to the registrant (70)
- 10.75 Revolving Secured Promissory Note, dated as of April 29, 2016, in favor of Sillerman Investment Company VI, LLC (71)
- 10.76 Security Agreement, dated as of April 29, 2016, by and between the registrant, its subsidiaries Choose Digital, Inc. and wetpaint.com, inc., and Sillerman Investment Company VI, LLC (72)
- 10.77 Subscription Agreement, dated as of May 9, 2016, by and between the registrant and Sillerman Investment Company III LLC (73)

- 10.78 Amendment No.1 to the Forbearance Agreement, dated as of May 12, 2016 by and between the registrant and AmossyKlein Family Holdings, LLP (filed herewith)
- 14.1 Code of Business Conduct and Ethics (74)
- 21.1 List of Subsidiaries
- 23.1 Consent of Independent Registered Public Accounting Firm
- 31.1 Certification of Principal Executive Officer
- 31.2 Certification of Principal Accounting Officer
- 32.1 Section 1350 Certification of Principal Executive Officer
- 32.2 Section 1350 Certification of Principal Accounting Officer
- (1) Incorporated by reference to Exhibit D to the registrant's Proxy Statement on Schedule 14D filed on August 16, 1994. Amendments thereto are incorporated by reference to the Registrant's Current Report on Form 8-K filed on February 16, 2011 and to the Registrant's Current Report on Form 8-K filed on June 7, 2012. Series D Certificate of Designation is incorporated by reference to Exhibit 3.1 to the registrant's 8-K filed on March 30, 2016.
- (2) Incorporated by reference to the registrant's Exhibit E to Proxy Statement on Schedule 14A filed on August 16, 1994
- (3) Incorporated by reference to the registrant's registration statement on Form S-1 filed on May 25, 2011
- (4) Incorporated by reference to the registrant's Current Report on Form 8-K filed on February 22, 2011
- (5) Incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed on February 16, 2011
- (6) Incorporated by reference to Exhibit 10.7 to the registrant's registration statement on Form S-1/A filed on October 7, 2011
- (7) Incorporated by reference to Exhibit 10.8 to the registrant's registration statement on Form S-1/A filed on October 7, 2011
- (8) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on October 3, 2011
- (9) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on August 26, 2011
- (10) Incorporated by reference to Exhibit 10.13 to the registrant's Registration Statement on Form S-1/A filed on November 23, 2011
- (11) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on December 29, 2011.
- (12) Incorporated by reference to Exhibit 10.2 to the registrant's Current report on Form 8-K filed on December 29, 2011.
- (13) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on January 4, 2012
- (14) Incorporated by reference to Exhibit 10.18 to the registrant's registration statement on Form S-1/A filed on April 5, 2012
- (15) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on April 9, 2012
- (16) Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 8-K filed on May 15, 2012
- (17) Incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 8-K filed on May 15, 2012
- (18) Incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 8-K filed on May 15, 2012
- (19) Incorporated by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 8-K filed on May 15, 2012
- (20) Incorporated by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 8-K filed on May 15, 2012

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- (21) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on July 6, 2012
- (22) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on September 14, 2012
- (23) Incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on September 14, 2012
- (24) Incorporated by reference to Exhibit 13.2 to the registrant's Quarterly Report on Form 10-Q filed on May 12, 2011. An amendment to the agreement is incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on November 5, 2012
- (25) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on November 5, 2012
- (26) Incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on November 19, 2012
- (27) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on December 7, 2012
- (28) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on December 17, 2012
- (29) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on January 11, 2013
- (30) Incorporated by reference to Exhibit 10.35 to the registrant's Quarterly Report on Form 10-Q filed February 14, 2013
- (31) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on March 15, 2013
- (32) Incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on March 15, 2013
- (33) Incorporated by reference to Exhibit 10.3 of the registrant's Current Report on Form 8-K filed on March 15, 2013
- (34) Incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K/A filed on March 19, 2013
- (35) Incorporated by reference to Exhibit 10.5 of the registrant's Current Report on Form 8-K filed on March 15, 2013
- (36) Incorporated by reference to Exhibit 10.6 of the registrant's Current Report on Form 8-K filed on March 15, 2013
- (37) Incorporated by reference to Exhibit 10.7 of the registrant's Current Report on Form 8-K filed on March 15, 2013
- (38) Incorporated by reference to Exhibit 10.8 of the registrant's Current Report on Form 8-K filed on March 15, 2013
- (39) Incorporated by reference to the Exhibits 10.36, 10.37, 10.38, 10.39, 10.40, 10.41, 10.42 and 10.43 of the registrant's Annual Report on Form 10-K filed on September 17, 2013
- (40) Incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed on December 2, 2013
- (41) Incorporated by reference to Exhibit 10.2 of the registrant's Current Report on Form 8-K filed on December 2, 2013
- (42) Incorporated by reference to Exhibit 10.3 of the registrant's Current Report on Form 8-K filed on December 2, 2013
- (43) Incorporated by reference to Exhibit 2.1 of the registrant's Current Report on Form 8-K filed on December 16, 2013
- (44) Incorporated by reference to Exhibit 2.2 of the registrant's Current Report on Form 8-K filed on December 16, 2013
- (45) Incorporated by reference to Exhibit 2.3 of the registrant's Current Report on Form 8-K filed on December 16, 2013
- (46)

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Incorporated by reference to the registrant's Preliminary Information Statement on Schedule 14C filed on January 10, 2014

(47) Incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed on February 6, 2014

(48) Incorporated by reference to Exhibit 1.1 to the Schedule 13D/A filed on February 10, 2014

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- (49) Incorporated by reference to Exhibit 10.1 of the registrant's Quarterly Report on Form 10-Q filed on February 10, 2014
- (50) Incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed on February 20, 2014
- (51) Incorporated by reference to Exhibit 3.1 of the registrant's Current Report on Form 8-K filed on March 10, 2014
- (52) Incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed on March 14, 2014
- (53) Incorporated by reference to Exhibit 10.2 of the registrant's Current Report on Form 8-K filed on March 14, 2014
- (54) Incorporated by reference to Exhibit 10.3 of the registrant's Current Report on Form 8-K filed on March 14, 2014
- (55) Incorporated by reference to Exhibit 3.1 of the registrant's Current Report on Form 8-K filed on March 18, 2014
- (56) Incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed on March 18, 2014
- (57) Incorporated by reference to Exhibit 10.2 of the registrant's Current Report on Form 8-K filed on March 18, 2014
- (58) Incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed on March 24, 2014
- (59) Incorporated by reference to Exhibit 2.1 of the registrant's Current Report on Form 8-K filed on June 25, 2014
- (60) Incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed on December 7, 2014
- (61) Incorporated by reference to Exhibit 2.1 of the registrant's Current Report on Form 8-K filed on December 14, 2015
- (62) Incorporated by reference to Exhibit 2.2 of the registrant's Current Report on Form 8-K filed on December 14, 2015
- (63) Incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed on February 2, 2016
- (64) Incorporated by reference to Exhibit 10.68 to the registrant's Quarterly Report on Form 10-Q filed on March 4, 2016
- (65) Incorporated by reference to Exhibit 10.69 to the registrant's Quarterly Report on Form 10-Q filed on March 4, 2016
- (66) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on March 30, 2016
- (67) Incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on March 30, 2016
- (68) Incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed on March 30, 2016
- (69) Incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on April 29, 2016
- (70) Incorporated by reference to Exhibit 2.2 to the registrant's Current Report on Form 8-K filed on April 29, 2016
- (71) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 3, 2016
- (72) Incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed on May 3, 2016
- (73) Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on May 13, 2016
- (74) Incorporated by reference to Exhibit 14.1 to the registrant's Information Statement on Form S-1/A filed on October 7, 2011

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf of the undersigned thereunto duly authorized.

DRAFTDAY FANTASY SPORTS,
INC.

May 16, 2016 By: /s/ ROBERT F.X. SILLERMAN

Robert F.X. Sillerman
Chief Executive Officer
(Principal Executive Officer)

May 16, 2016 By: /s/ OLGA BASHKATOVA

Olga Bashkatova
Principal Accounting Officer