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 1934

For the quarterly period ended June 30, 2020

Remark Holdings

Commission File Number 001-33720
Remark Holdings, Inc.

Delaware	33-1135689
State of Incorporation	IRS Employer Identification Number

800 S. Commerce St.
Las Vegas, NV 89106

Address, including zip code, of principal executive offices

702-701-9514

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value per share	MARK	The NASDAQ Stock Market LLC

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☑	Smaller reporting company	☑
		Emerging growth company	☐

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

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

As of August 11, 2020, a total of 99,408,916 shares of our common stock were outstanding.

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The matters discussed in this Quarterly Report on Form 10-Q include “forward-looking statements” about the plans, strategies, objectives, goals or expectations of Remark Holdings, Inc. and subsidiaries (“Remark”, “we”, “us”, “our”). You will find forward-looking statements principally in the sections entitled Risk Factors and Management’s Discussion and Analysis of Financial Condition and Results of Operations. Such forward-looking statements are identifiable by words or phrases indicating that Remark or management “expects,” “anticipates,” “plans,” “believes,” or “estimates,” or that a particular occurrence or event “will,” “may,” “could,” “should,” or “will likely” result, occur or be pursued or “continue” in the future, that the “outlook” or “trend” is toward a particular result or occurrence, that a development is an “opportunity,” “priority,” “strategy,” “focus,” that we are “positioned” for a particular result, or similarly-stated expectations. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this report or such other report, release, presentation, or statement.

In addition to other risks and uncertainties described in connection with the forward-looking statements contained in this report and other periodic reports filed with the Securities and Exchange Commission (“SEC”), there are many important factors that could cause actual results to differ materially. Such risks and uncertainties include general business conditions, changes in overall economic conditions, our ability to integrate acquired assets, the impact of competition and other factors which are often beyond our control.

This should not be construed as a complete list of all of the economic, competitive, governmental, technological and other factors that could adversely affect our expected consolidated financial position, results of operations or liquidity. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, operations, liquidity, financial condition and prospects. We undertake no obligation to update or revise our forward-looking statements to reflect developments that occur or information that we obtain after the date of this report.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REMARK HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(dollars in thousands, except share and per share amounts)

	June 30, 2020	December 31, 2019
	(Unaudited)	
Assets		
Cash and cash equivalents	$ 10,233	$ 272
Trade accounts receivable, net	2,235	1,964
Receivable from related parties	531	—
Prepaid expense and other current assets	5,803	4,623
Total current assets	18,802	6,859
Property and equipment, net	156	341
Operating lease assets	470	4,359
Investment in unconsolidated affiliates	1,922	1,935
Intangibles, net	472	509
Other long-term assets	1,254	824
Total assets	$ 23,076	$ 14,827
Liabilities and Stockholders' Deficit		
Accounts payable	$ 7,709	$ 8,126
Accrued expense and other current liabilities	13,295	14,326
Contract liability	566	313
Note payable	2,000	3,000
Loans payable, current	—	12,025
Total current liabilities	23,570	37,790
Loans payable, long-term	425	—
Operating lease liabilities, long-term	202	4,650
Warrant liability	6,318	115
Total liabilities	30,515	42,555
Commitments and contingencies (Note 13)		
Preferred stock,$0.001 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized; 99,408,916 and 51,055,159 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	99	51
Additional paid-in-capital	351,417	319,275
Accumulated other comprehensive income	111	(227)
Accumulated deficit	(359,066)	(346,827)
Total stockholders' deficit	(7,439)	(27,728)
Total liabilities and stockholders' deficit	$ 23,076	$ 14,827

See Notes to Unaudited Condensed Consolidated Financial Statements

REMARK HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss
(dollars in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	**2020**	**2019**
Revenue	$ 2,299	$ 2,865	$ 2,730	$ 4,074
Cost and expense				
Cost of revenue (excluding depreciation and amortization)	1,210	1,541	1,231	3,134
Sales and marketing	486	687	902	1,546
Technology and development	1,477	854	2,125	2,158
General and administrative	1,898	2,454	4,638	5,431
Depreciation and amortization	66	260	156	585
Other operating expense	—	—	—	6
Total cost and expense	5,137	5,796	9,052	12,860
Operating loss	(2,838)	(2,931)	(6,322)	(8,786)
Other income (expense)				
Interest expense	(775)	(553)	(1,236)	(940)
Other income, net	57	92	57	47
Change in fair value of warrant liability	(6,260)	2,078	(6,203)	662
Gain on lease termination	—	—	1,538	—
Other loss, net	—	27	(73)	1
Total other income (expense), net	(6,978)	1,644	(5,917)	(230)
Loss from continuing operations before income taxes	(9,816)	(1,287)	(12,239)	(9,016)
Benefit from income taxes	—	—	—	—
Loss from continuing operations	(9,816)	(1,287)	(12,239)	(9,016)
Loss from discontinued operations, net of tax (Note 17)	—	(1,487)	—	(2,610)
Net loss	$ (9,816)	$ (2,774)	$ (12,239)	$ (11,626)
Other comprehensive income (loss)				
Foreign currency translation adjustments	156	127	338	33
Comprehensive loss	$ (9,660)	$ (2,647)	$ (11,901)	$ (11,593)
Weighted-average shares outstanding, basic and diluted	89,264	43,335	71,527	39,994
Net loss per share, basic and diluted				
Continuing operations	$ (0.11)	$ (0.03)	$ (0.17)	$ (0.23)
Discontinued operations	—	(0.03)	—	(0.07)
Consolidated	$ (0.11)	$ (0.06)	$ (0.17)	$ (0.30)

See Notes to Unaudited Condensed Consolidated Financial Statements

REMARK HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Deficit
(in thousands, except number of shares)

	Three Months Ended June 30, 2020					
	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at March 31, 2020	66,133,888	$ 66	$ 323,958	$ (45)	$ (349,250)	(25,271)
Net loss	—	—	—	—	(9,816)	(9,816)
Share-based compensation	—	—	47	—	—	47
Common stock issued	33,220,164	33	27,345	—	—	27,378
Equity instrument exercises	54,864	—	67	—	—	67
Other	—	—	—	156	—	156
Balance at June 30, 2020	99,408,916	$ 99	$ 351,417	$ 111	$ (359,066)	$ (7,439)

	Three Months Ended June 30, 2019					
	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at March 31, 2019	40,722,229	$ 41	$ 310,618	$ (62)	$ (330,065)	$ (19,468)
Net loss	—	—	—	—	(2,774)	(2,774)
Share-based compensation	—	—	216	—	—	216
Common stock issued	5,407,930	5	4,995	—	—	5,000
Other	—	—	—	127	—	127
Balance at June 30, 2019	46,130,159	$ 46	$ 315,829	$ 65	$ (332,839)	$ (16,899)

	Six Months Ended June 30, 2020					
	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2019	51,055,159	$ 51	$ 319,275	$ (227)	$ (346,827)	$ (27,728)
Net loss	—	—	—	—	(12,239)	(12,239)
Share-based compensation	—	—	93	—	—	93
Common stock issued	48,298,893	48	31,982	—	—	32,030
Equity instrument exercises	54,864	—	67	—	—	67
Other	—	—	—	338	—	338
Balance at June 30, 2020	99,408,916	$ 99	$ 351,417	$ 111	$ (359,066)	$ (7,439)

	Six Months Ended June 30, 2019					
	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2018	39,053,312	$ 39	$ 308,018	$ 32	$ (321,213)	$ (13,124)
Net loss	—	—	—	—	(11,626)	(11,626)
Share-based compensation	—	—	314	—	—	314
Common stock issued	7,074,597	7	7,493	—	—	7,500
Equity instrument exercises	2,250	—	4	—	—	4
Other	—	—	—	33	—	33
Balance at June 30, 2019	46,130,159	$ 46	$ 315,829	$ 65	$ (332,839)	$ (16,899)

REMARK HOLDINGS, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(dollars in thousands)

	Six Months Ended June 30,	
	2020	**2019**
Net cash used in continuing operating activities	$ (9,247)	$ (7,496)
Net cash provided in discontinued operating activities	—	(7,159)
Net cash used in operating activities	(9,247)	(14,655)
Cash flows from investing activities:		
Proceeds from sale of business	—	30,000
Purchases of property, equipment and software	(9)	(2)
Payment of payroll costs capitalized to software in progress	—	(127)
Net cash provided by (used in) continuing investing activities	(9)	29,871
Net cash used in discontinued investing activities	—	(18,396)
Net cash used in investing activities	(9)	11,475
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	32,073	7,504
Proceeds from debt issuance	425	—
Payment of loan fees and debt issuance cost	—	(2,275)
Repayments of debt	(13,281)	(25,526)
Net cash provided by financing activities	19,217	(20,297)
Net change in cash, cash equivalents and restricted cash	9,961	(23,477)
Cash, cash equivalents and restricted cash:		
Beginning of period, including cash in disposal group	272	25,548
End of period	$ 10,233	$ 2,071
Supplemental cash flow information:		
Cash paid for interest	$ 833	$ 2,211
Supplemental schedule of non-cash investing and financing activities:		
Capitalization of interest to debt principal	$ 256	$ 171
Increase in loan payable	$ —	$ 1,103

See Notes to Unaudited Condensed Consolidated Financial Statements

NOTE 1. ORGANIZATION AND BUSINESS

Organization and Business

Remark Holdings, Inc. and subsidiaries ("Remark", "we", "us", or "our"), which include its consolidated variable-interest entities ("VIEs"), are primarily technology-focused. Our KanKan data intelligence platform serves as the basis for our development and deployment of artificial-intelligence-based ("AI-based") solutions for businesses in many industries and geographies. We also own and operate an e-commerce digital media property focused on a luxury beach lifestyle. Our common stock is listed on the Nasdaq Capital Market under the ticker symbol MARK.

We recognize revenue primarily from sales in the U.S. and China of AI-based products and services from our KanKan business.

COVID-19

Our unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020 were impacted by the effects of the global outbreak of a novel strain of coronavirus, or COVID-19, as national and local governmental authorities in China and the U.S., where we operate, have placed significant restrictions on travel and other activities within their respective countries, leading to extended business closures. The restrictions and resulting business closures have limited our operational capabilities, which could have a material adverse impact on our business and which have created significant uncertainties, such as the potential adverse effect of the pandemic on the economy, our vendors, our employees and customers and customer sentiment in general.

The extent of the impact of the pandemic on our business and financial results will depend largely on future developments, including the duration and severity of the outbreak, the length of the travel restrictions and business closures imposed by domestic and foreign governments, the impact on capital and financial markets and the related impact on the financial circumstances of our customers, all of which are highly uncertain and cannot be predicted. The pandemic-related situation is changing rapidly, and additional impacts of which we are not currently aware may arise. We are closely monitoring developments in the U.S. and in China and are continually assessing the potential impact on our business.

To mitigate the potential material negative effects that COVID-19 may have on our business and to do our part to provide customers with the means to limit the spread of COVID-19, we have repurposed and improved our existing urban life cycle solution that we were selling to make schools in China "smart" schools to build a new product line of high-quality, highly-effective thermal imaging solutions that leverage our innovative software to provide customers with the ability to scan crowds and areas of high foot traffic for indications that certain persons may require secondary screening. We have begun sales efforts primarily in the U.S., as well as in other countries.

Going Concern

During the six months ended June 30, 2020, and in each fiscal year since our inception, we have incurred net losses which have resulted in an accumulated deficit of $359.1 million as of June 30, 2020. Additionally, our operations have historically used more cash than they have provided. Net cash used in continuing operating activities was $9.2 million during the six months ended June 30, 2020. As of June 30, 2020, our cash and cash equivalents balance was $10.2 million, and we had a negative working capital balance of $4.8 million.

On March 3, 2020, we entered into a common stock purchase agreement, later amended on April 9, 2020 (as amended, the "2020 Aspire Purchase Agreement"), with Aspire Capital Fund, LLC ("Aspire Capital") under which Aspire Capital purchased $30.0 million of shares of our common stock. The 2020 Aspire Purchase Agreement, which we describe in more detail in Note 14, terminated and replaced the common stock purchase agreement we had entered into with Aspire Capital on March 29, 2019 (the "2019 Aspire Purchase Agreement").

Concurrently with entering into the 2020 Aspire Purchase Agreement, we also entered into a registration rights agreement with Aspire Capital, in which we agreed to file with the Securities and Exchange Commission (the "SEC") one or more registration statements, as necessary, and to the extent permissible and subject to certain exceptions, to register under the

Securities Act of 1933, as amended, the sale of the shares of our common stock that may be issued to Aspire Capital under the 2020 Aspire Purchase Agreement. We have filed with the SEC a prospectus supplement to our effective shelf Registration Statement on Form S-3 (File No. 333-225448) registering all of the shares of common stock that may be offered to Aspire Capital from time to time under the 2020 Aspire Purchase Agreement.

As of June 30, 2020, we have issued to Aspire Capital a total of 44,227,890 shares of our common stock under the 2020 Aspire Purchase Agreement. During the six months ended June 30, 2020, we issued a total of 48,238,893 shares of our common stock to Aspire Capital under the 2019 Aspire Purchase Agreement and the 2020 Aspire Purchase Agreement in exchange for approximately $32.0 million plus Aspire Capital's commitment to participate in the 2020 Aspire Purchase Agreement.

Our history of recurring operating losses, working capital deficiencies and negative cash flows from operating activities give rise to substantial doubt regarding our ability to continue as a going concern.

We intend to fund our future operations and meet our financial obligations through revenue growth in our Technology and Data Intelligence segment, as well as through sales of our thermal-imaging products. We cannot, however, provide assurance that revenue, income and cash flows generated from our businesses will be sufficient to sustain our operations in the twelve months following the filing of this Form 10-Q. As a result, we are actively evaluating strategic alternatives including debt and equity financings and potential sales of investment assets or operating businesses.

Conditions in the debt and equity markets, as well as the volatility of investor sentiment regarding macroeconomic and microeconomic conditions (in particular, in response to the COVID-19 pandemic), will play primary roles in determining whether we can successfully obtain additional capital. We cannot be certain that we will be successful at raising additional capital.

A variety of factors, many of which are outside of our control, affect our cash flow; those factors include the effects of the COVID-19 pandemic, regulatory issues, competition, financial markets and other general business conditions. Based on financial projections, we believe that we will be able to meet our ongoing requirements for at least the next 12 months with existing cash, cash equivalents and cash resources, and based on the probable success of one or more of the following plans:

- develop and grow new product line(s)
- monetize existing assets
- obtain additional capital through debt and/or equity issuances.

However, projections are inherently uncertain and the success of our plans is largely outside of our control. As a result, there is substantial doubt regarding our ability to continue as a going concern, and we may fully utilize our cash resources prior to August 14, 2021.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We prepared the accompanying unaudited Condensed Consolidated Balance Sheet as of June 30, 2020, with the audited Consolidated Balance Sheet amounts as of December 31, 2019 presented for comparative purposes, and the related unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss, the Condensed Consolidated Statements of Cash Flows and the Condensed Consolidated Statements of Stockholders' Deficit in accordance with the instructions for Form 10-Q. In compliance with those instructions, we have omitted certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), though management believes the disclosures made herein are sufficient to ensure that the information presented is not misleading.

Our results of operations and our cash flows as of the end of the interim periods reported herein do not necessarily indicate the results we may experience for the remainder of the year or for any other future period.

Management believes that we have included all adjustments (including those of a normal, recurring nature) considered necessary to fairly present our unaudited Condensed Consolidated Balance Sheet and our unaudited Condensed Consolidated Statement of Stockholders' Deficit, each as of June 30, 2020, as well as our unaudited Condensed Consolidated Statements of

Operations and Comprehensive Loss and Condensed Consolidated Statements of Cash Flows for all periods presented. You should read our unaudited condensed consolidated interim financial statements and footnotes in conjunction with our consolidated financial statements and footnotes included within the Annual Report on Form 10-K (the “2019 Form 10-K”).

Consolidation

We include all of our subsidiaries, which include the variable-interest entities (“VIEs”) for which we are the primary beneficiary, in our condensed consolidated financial statements, eliminating all significant intercompany balances and transactions during consolidation.

To comply with China’s laws which restrict foreign ownership of entities that operate within industries deemed sensitive by the Chinese government, we employ what we believe is a commonly-used organizational structure consisting of a wholly-foreign owned enterprise (“WFOE”) and the VIEs to operate our KanKan business. We own 100% of the equity of the WFOE, while the VIEs are companies formed in China under local laws which are owned by members of our management team. We funded the registered capital and operating expenses of the VIEs by extending loans to the VIEs’ owners. We are the primary beneficiary of the VIEs because the relationships between the VIEs and our WFOE are governed by contractual agreements, including in each case an Exclusive Call Option Agreement, an Exclusive Business Cooperation Agreement, a Proxy Agreement and an Equity Pledge Agreement, which give us control over the operations of the VIEs.

We use the fair value method to account for equity investments in which we cannot exercise significant influence over the investee, such as with our investment in Sharecare, Inc. (“Sharecare”). With regard to our investment in Sharecare, GAAP allows us to continue to carry our investment at cost less impairment until such time as an observable price change in the underlying security occurs. Any gains or losses resulting from a change in fair value are recorded to the statement of operations. We use the equity method for equity investments in which we can exercise significant influence over the investee, such as our investment in Beijing All-in-one Cloud Net Technology, Co. Ltd. (“AIO”) (see Note 6 for information on our investments in unconsolidated affiliates).

Use of Estimates

We prepare our consolidated financial statements in conformity with GAAP. While preparing our financial statements, we make estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates. On an ongoing basis, we evaluate our estimates, including those related to accounts receivable, intangible assets, the useful lives of property and equipment, share-based compensation, the fair value of the warrant liability, income taxes, inventory reserve and purchase price allocation, among other items.

As of June 30, 2020, the impact of the COVID-19 pandemic continues to unfold. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

Recently Issued Accounting Pronouncements

We have reviewed all recently issued accounting pronouncements. The pronouncements that we have already adopted, did not have a material effect on our financial condition, results of operations, cash flows or reporting thereof, we do not believe that any of the pronouncements that we have not yet adopted will have a material effect upon our financial condition, results of operations, cash flows or reporting thereof.

NOTE 3. REVENUE

During the three months ended June 30, 2020, we began selling our thermal imaging products, primarily in the U.S., under our bio-safety business.

We sell our Remark AI Thermal Kits to customers needing the ability to scan crowds and areas of high foot traffic for indications that certain persons with elevated temperatures may require secondary screening. Though the kits are semi-customizable, they generally consist primarily of a thermal imaging camera, a calibrating device, a computer to monitor the video feed, supporting equipment and our AI software. Once set up and calibrated, the kits scan a large number of people each minute, providing both thermally enhanced and standard video feeds that allow our customers to evaluate high volumes of people at large gatherings.

Our Remark AI rPad thermal imaging devices, usually mounted on a wall or a single-post stand, are designed for customers needing the ability to scan individuals on a one-by-one basis in situations where rapid, high-volume scanning is not necessary, such as at a customer's office entrances where employees can be scanned as they enter for indications of an elevated temperature that may require secondary screening. In addition to thermal scanning, we can customize our AI software embedded in the rPad to perform additional safety and security functions including identifying persons for authorized entry.

We have also developed the Remark AI Thermal Helmet which can, for example, be worn by security personnel at large gatherings allowing for a mobile thermal scanning ability.

In addition to our kits, pads and helmets, we sell extended warranties and also maintenance and support plans. Under our warranties and our maintenance and support plans, we stand-ready over the period specified in the contract to repair the hardware sold to the customer or provide support for or upgrade the software as new versions are released.

For our kits, pads and helmets, we recognize the associated revenue at the point in time that the customer takes control of the product, while we recognize revenue related to our warranties and our maintenance and support plans over the period of time we have agreed to stand ready to perform the obligations related to such warranties or plans.

We do not include disclosures related to remaining performance obligations because substantially all our contracts with customers have an original expected duration of one year or less or, with regard to our stand-ready obligations, the amounts involved are not material.

Disaggregation of Revenue

The following table presents a disaggregation of our revenue by major category (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
AI-based products and services	$ 2,053	$ 2,466	$ 2,377	$ 2,890
Advertising and other	246	399	353	1,184
Revenue	$ 2,299	$ 2,865	$ 2,730	$ 4,074

Significant Judgments

When accounting for revenue we make certain judgments, such as whether we act as a principal or as an agent in transactions or whether our contracts with customers fall within the scope of current GAAP regarding revenue, that affect the determination of the amount and timing of our revenue from contracts with customers. Based on the current facts and circumstances related to our contracts with customers, none of the judgments we make involve an elevated degree of qualitative significance or complexity such that further disclosure is warranted in terms of their potential impact on the amount and timing of our revenue.

Contract Assets and Contract Liabilities

We do not currently generate material contract assets. During the six months ended June 30, 2020, our contract liability changed only as a result of routine business activity.

During the six months ended June 30, 2020 and 2019, we did not recognize material amounts of revenue which were included in the beginning balance of Contract liability at January 1, 2020 and 2019, respectively.

During the six months ended June 30, 2020 and 2019, we did not recognize revenue from performance obligations within the scope of ASC 606 that were satisfied in previous periods.

NOTE 4. FAIR VALUE MEASUREMENTS

Liabilities Related to Warrants to Purchase Common Stock

At the end of each reporting period, we use the Monte Carlo Simulation model to estimate and report the fair value of liabilities related to certain outstanding warrants to purchase common stock. As of June 30, 2020, our outstanding liability-classified warrants include the warrants we issued or that we are obligated to issue as part of the consideration for our acquisition (the “CBG Acquisition”) of assets of China Branding Group Limited (“CBG”) in September 2016 (the “CBG Acquisition Warrants”) and warrants we issued as a result of an amendment to the Financing Agreement (as defined in Note 12) related to the acquisition (the “CBG Financing Warrants”).

The following table presents the quantitative inputs, which we classify in Level 3 of the fair value hierarchy, used in estimating the fair value of the warrants:

	June 30, 2020	December 31, 2019
CBG Financing Warrants		
Expected volatility	85.00 %	85.00 %
Risk-free interest rate	0.18 %	1.60 %
Expected remaining term (years)	0.23	0.73
CBG Acquisition Warrants		
Expected volatility	75.00 %	75.00 %
Risk-free interest rate	0.23 %	1.65 %
Expected remaining term (years)	3.23	3.72

In addition to the quantitative assumptions above, we also consider whether we would issue additional equity and, if so, the price per share of such equity. At June 30, 2020, we estimated that no equity financing events would potentially occur within the subsequent twelve months.

Our estimate of expected volatility and our stock price tend to have the most significant impact on the estimated fair value of the CBG Financing Warrants and the CBG Acquisition Warrants. We determined that, for the three months ended June 30, 2020, adding or subtracting five percentage points with regard to our estimate of expected volatility, or increases or decreases in our stock price of five percent, would not have resulted in changes to our estimates of fair value, except as follows:

	Increase	Decrease
Change in volatility		
CBG Financing Warrants	$ 130	$ 130
CBG Acquisition Warrants	460	405
Change in stock price		
CBG Financing Warrants	$ 660	$ 595
CBG Acquisition Warrants	290	230

The following table presents the change in the liability balance associated with our liability-classified warrants (in thousands):

	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Balance at beginning of period	$ 115	$ 1,383
Increase (decrease) in fair value	6,203	(1,268)
Balance at end of period	$ 6,318	$ 115

Contingent Consideration Issued in Business Acquisition

We used the discounted cash flow valuation technique to estimate the fair value of the liability related to certain cash payments stipulated in our acquisition of Vegas.com, LLC (“Vegas.com”) in September 2015 that were contingent upon the performance of Vegas.com in the years ended December 31, 2016, 2017, and 2018 (the “Earnout Payments”). The significant unobservable inputs that we used, which we classify in Level 3 of the fair value hierarchy, were projected earnings before interest, taxes, depreciation and amortization (“EBITDA”), the probability of achieving certain amounts of EBITDA, and the rate used to discount the liability.

The following table presents the change during the six months ended June 30, 2020 in the balance of the liability associated with the Earnout Payments (in thousands):

Balance at beginning of period	$ 1,086
Interest accrued on unpaid balance	34
Balance at end of period	$ 1,120

On the Condensed Consolidated Balance Sheets, we included the liability for contingent consideration as a component of Accrued expense and other current liabilities.

NOTE 5. TRADE ACCOUNTS RECEIVABLE

	June 30, 2020	December 31, 2019
Gross accounts receivable balance	$ 4,465	$ 4,171
Allowance for bad debt	(2,230)	(2,207)
Accounts receivable, net	$ 2,235	$ 1,964

Generally, it is not unusual for Chinese entities to pay their vendors on longer timelines than the timelines typically observed in U.S. commerce. Trade receivables related to our China-based AI projects (exclusive of certain financial technology ("FinTech") services we provided) represent 55% of our gross trade receivables. Most of our remaining gross trade receivables balance resulted from the FinTech service, which we have discontinued.

NOTE 6. INVESTMENT IN UNCONSOLIDATED AFFILIATES

In 2009, we co-founded a U.S.-based venture, Sharecare, to build a web-based platform that simplifies the search for health and wellness information. The other co-founders of Sharecare were Dr. Mehmet Oz, HARPO Productions, Discovery Communications, Jeff Arnold and Sony Pictures Television. As of June 30, 2020, we owned approximately 4.5% of Sharecare's issued stock and maintained representation on its Board of Directors.

During June 2018, one of our consolidated VIEs acquired a 20% interest in AIO, a Chinese technology company which provides consulting and data services to the Chinese film industry, in exchange for $1.0 million, a portion of which was paid as of June 30, 2020, and a license to use our proprietary KanKan data intelligence platform in China. Based on our evaluation of the facts and circumstances related to the transaction, we determined that we will account for such transaction using the equity method of accounting. We recognize our equity in the net earnings or losses relating to AIO on a one-quarter reporting lag in our Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss. For the three months ended June 30, 2020, the amount of our equity in AIO's net earnings for their quarter ended March 31, 2020 was not material.

NOTE 7. PREPAID EXPENSE AND OTHER CURRENT ASSETS

The following table presents the components of prepaid expense and other current assets (in thousands):

	June 30, 2020	December 31, 2019
Other receivables	$ 3,608	$ 3,712
Prepaid expense	448	633
Deposits	10	7
Inventory, net	1,355	—
Other current assets	382	271
Total	$ 5,803	$ 4,623

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands, except estimated lives):

	Estimated Life (Years)	June 30, 2020	December 31, 2019
Computers and equipment	3	987	989
Furniture and fixtures	3	47	23
Software	3	4,872	4,896
Leasehold improvements	10	11	114
Total property, equipment and software		$ 5,917	$ 6,022
Less accumulated depreciation		(5,761)	(5,681)
Total property, equipment and software, net		$ 156	$ 341

For the six months ended June 30, 2020 and 2019, depreciation (and amortization of software) expense was $0.1 million and $0.4 million, respectively.

NOTE 9. LEASES

We lease office space and a vehicle under contracts we classify as operating leases. None of our leases are financing leases.

The following table presents the detail of our lease expense, net of sublease income, which is reported in General and administrative expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating lease expense	$ 83	$ 385	$ 471	$ 703
Short-term lease expense	47	98	122	164
Less: Sublease income	—	(78)	—	(78)
Lease expense	$ 130	$ 405	$ 593	$ 789

We reported within continuing operating cash flows for the six months ended June 30, 2020 and 2019, $0.1 million and $0.9 million, respectively, of cash paid for amounts included in the measurement of operating lease liabilities.

As of June 30, 2020, our operating leases had a weighted-average remaining lease term of approximately 14 months, and we used a weighted-average discount rate of approximately 13% to measure our operating lease liabilities.

Maturity of Lease Liabilities

The following table presents information regarding the maturities of our undiscounted remaining operating lease payments, with a reconciliation to the amount of the liabilities representing such payments as presented in our June 30, 2020 unaudited Condensed Consolidated Balance Sheet (in thousands):

Operating lease liabilities maturing during the next:		
One year	$	387
Two years		149
Three years		76
Total undiscounted cash flows	$	612
Present value of cash flows	$	548
Lease liabilities on balance sheet:		
Short-term	$	346
Long-term		202
Total lease liabilities	$	548

The current portion of our operating lease liability, which we report in Accrued expense and other current liabilities on our unaudited Condensed Consolidated Balance Sheet, also includes approximately $1.5 million of estimated damages from the early termination of the lease on our former office located at 3960 Howard Hughes Parkway in Las Vegas. See Note 13 and Note 18 for more information.

Significant Judgments

When accounting for our leases, we make certain judgments, such as whether a contract contains a lease or what discount rate to use, that affect the determination of the amount of our lease assets and liabilities. Based on the current facts and circumstances related to our contracts, none of the judgments we make involve an elevated degree of qualitative significance or complexity such that further disclosure is warranted.

NOTE 10. INTANGIBLE ASSETS

The following table summarizes intangible assets by category (in thousands):

	June 30, 2020			December 31, 2019		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Finite-lived intangible assets						
Domain names	$ 1,256	$ (911)	$ 345	$ 1,256	$ (874)	$ 382
Other intangible assets	68	(68)	—	68	(68)	—
	$ 1,324	$ (979)	$ 345	$ 1,324	$ (942)	$ 382
Indefinite-lived intangible assets						
License to operate in China	127		127	127		127
Total intangible assets	$ 1,451		$ 472	$ 1,451		$ 509

Total amortization expense was de minimis and $0.2 million for the six months ended June 30, 2020 and 2019, respectively.

NOTE 11. INCOME TAX

Our effective tax rate ("ETR") from continuing operations was 0.0% for the six months ended June 30, 2020. The quarterly ETR has not significantly differed from our historical annual ETR because we continue to maintain a full valuation allowance against our existing deferred tax assets.

In response to the COVID-19 pandemic, many governments have enacted or are contemplating measures to provide aid and economic stimulus. The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted on March 27, 2020 in the U.S., includes measures to assist companies, including temporary change to income and non-income-based tax laws. As of June 30, 2020, we do not currently expect the provisions of the CARES Act to have a material effect on current income tax expense or the realizability of deferred income tax assets. We will monitor additional guidance and impact that the CARES Act and other potential legislation may have on our income taxes.

NOTE 12. DEBT

Short-Term Debt

On April 12, 2017, we issued a short-term note payable in the principal amount of $3.0 million to a private lender in exchange for cash in the same amount. The agreement, which does not have a stated interest rate, required us to repay the note plus a fee of $115 thousand on the maturity date of June 30, 2017. The note is accruing interest at $500 per day on the unpaid principal until we repay the note in full. As of June 30, 2020, we owe $2.4 million in principal and accrued interest.

Other Debt

The following table presents debt (in thousands) as of:

	June 30, 2020	December 31, 2019
MGG loan due May 2020	$ —	$ 12,025
Loans payable, current	—	12,025
PPP loan due April 2022	425	—
Loans payable, long-term	$ 425	$ —

Loan due May 2020

We were a party to a financing agreement dated as of September 24, 2015 (as amended, the “Financing Agreement”) with certain of our subsidiaries as borrowers (together with Remark, the “Borrowers”), certain of our subsidiaries as guarantors, the lenders from time to time party thereto (the “Lenders”) and MGG Investment Group LP, in its capacity as collateral agent and administrative agent for the Lenders (“MGG”), pursuant to which the Lenders extended credit to the Borrowers consisting of a term loan in the aggregate principal amount of $35.5 million (the “MGG Loan”).

On May 15, 2019, we completed the sale of all of the issued and outstanding membership interests of Vegas.com (the “VDC Transaction”) and used the cash proceeds of $30 million to pay amounts due under the Financing Agreement, of which approximately $10 million remained outstanding after giving effect to the application of such cash proceeds.

On May 28, 2020, we repaid in full all outstanding obligations under, and terminated, the Financing Agreement. See Note 13 for further discussion of Lender actions.

Loan due April 2022

On April 15, 2020, we entered into a loan agreement (the “PPP Loan”) with our bank under the U.S. Small Business Administration’s Paycheck Protection Program. Under the PPP Loan, we borrowed $0.4 million with a stated interest rate of one percent for a term of two years from the initial disbursement date of April 15, 2020. The PPP Loan is eligible for forgiveness as part of the CARES Act if certain requirements are met. We continue to evaluate and monitor the requirements of the CARES Act that allow for forgiveness. The accrued interest expense relating these loans for three and six months ended June 30, 2020 was not material. As of June 30, 2020, the SBA loan had an outstanding principle balance of $0.4 million included in loans payable.

NOTE 13. COMMITMENTS AND CONTINGENCIES

At June 30, 2020, we had no material commitments outside the normal course of business.

Contingencies

As of June 30, 2020, we were neither a defendant in any material pending legal proceeding nor are we aware of any material threatened claims against us and, therefore, we have not accrued any contingent liabilities, except as described below.

Earnout Payment

As of June 30, 2020 and December 31, 2019, we have accrued approximately $1.1 million related to the Earnout Payment related to our acquisition of Vegas.com. See Note 4 for more information regarding the Earnout Payment.

Termination of Lease and Related Landlord Actions

Since approximately July 2019, we have not been able to pay our obligations under the office lease for our former office located at 3960 Howard Hughes Parkway in Las Vegas, Nevada. On March 5, 2020, our former landlord, BRE/HC Las Vegas Property Holdings, L.L.C (the "Hughes Center Landlord"), exercised its right to terminate the lease as of such date as a result of the ongoing payment default.

On April 9, 2020, the Hughes Center Landlord filed suit against us in Nevada to recover the approximately $1.1 million of rent owed through March 5, 2020, plus damages resulting from the early termination of the lease. Based on calculations stipulated by the lease, we estimated the increase to rent expense and to the current portion of our operating lease liability, net of security deposit of $0.3 million, was approximately $1.5 million as of June 30, 2020.

On August 3, 2020, we entered into a Settlement Agreement and Release (the "Hughes Center Lease Settlement") with the Hughes Center Landlord under which we will pay $0.6 million to the Hughes Center Landlord in exchange for a full release of all obligations and claims against us in relation to our lease agreement with the Hughes Center Landlord. See Note 18 for more information regarding the Hughes Center Lease Settlement.

We have leased new office space under a lease that is not material to our consolidated financial statements.

Lender Actions and Repayment of Debt

On January 8, 2020, we received a notice from MGG that, as a result of certain continuing defaults under the Financing Agreement, the Lenders had exercised their right under the Financing Agreement to replace the single-member board of directors of our wholly-owned subsidiary that holds our investment (described in Note 6) in Sharecare with a person of their choosing.

On March 16, 2020, we received a notice of acceleration from MGG, in which MGG declared that the entire unpaid principal of and any accrued and unpaid interest on the MGG Loan, and all fees and other amounts payable under the Financing Agreement, were immediately due and payable and demanded that all such amounts be paid immediately to MGG.

On March 16, 2020, MGG filed a Summons with Notice against us in the Supreme Court of the State of New York, County of New York, alleging a claim for breach of contract under the Financing Agreement.

On May 28, 2020, we repaid in full all outstanding obligations under, and terminated, the Financing Agreement. On the same date, and concurrently with repaying all outstanding obligations under the Financing Agreement, we agreed to reduce by $0.30 per share the exercise price of the CBG Financing Warrants to purchase 6,601,558 shares of our common stock.

On June 23, 2020, MGG voluntarily discontinued the legal action against us in the Supreme Court of the State of New York, County of New York.

NOTE 14. STOCKHOLDERS' EQUITY, SHARE-BASED COMPENSATION AND NET LOSS PER SHARE

Common Shares Authorized

Our Amended and Restated Certificate of Incorporation authorizes us to issue up to 100,000,000 shares of our common stock, of which 99,408,916 shares were outstanding as of August 11, 2020. In addition, as of August 11, 2020, we had outstanding stock options allowing for the purchase of as many as approximately 15.9 million shares of common stock and we had outstanding warrants to purchase 6,641,558 shares of common stock. If all of our outstanding stock options and warrants were exercised, the total number of shares of our common stock that we would be required to issue would greatly exceed the number of our remaining authorized but unissued shares of common stock.

As a result of such potential shortfall in the number of our authorized shares of common stock, we will have insufficient shares of common stock available to issue in connection with the exercise of our outstanding stock options and warrants or any future equity financing transaction we may seek to undertake. Accordingly, we intend to seek approval of an increase in the number of our authorized shares of common stock at a 2020 special meeting of stockholders.

Equity Issuances

On March 3, 2020, we entered into the 2020 Aspire Purchase Agreement with Aspire Capital which provided that, upon the terms and subject to the conditions and limitations set forth therein, we had the right to direct Aspire Capital to purchase up to an aggregate of $30.0 million of shares of our common stock over the 30-month term of the 2020 Aspire Purchase Agreement. The 2020 Aspire Purchase Agreement replaced the 2019 Aspire Purchase Agreement, which terminated under the terms of the 2020 Aspire Purchase Agreement. In consideration for entering into the 2020 Aspire Purchase Agreement, we have issued to Aspire Capital 2,374,545 shares of our common stock.

As of June 30, 2020, we have issued to Aspire Capital a total of 44,227,890 shares of our common stock under the 2020 Aspire Purchase Agreement. During the six months ended June 30, 2020, we issued a total of 48,238,893 shares of our common stock to Aspire Capital under the 2019 Aspire Purchase Agreement and the 2020 Aspire Purchase Agreement in exchange for $32.0 million plus Aspire Capital's commitment to participate in the 2020 Aspire Purchase Agreement.

On July 20, 2020, we filed a registration statement on Form S-1 (Registration No. 333-239944) with the SEC (as amended, the "Registration Statement"). The Registration Statement, which has not yet been declared effective by the SEC, relates to an offer (the "Offering") to sell up to a total of 150,000 units (the "Units") consisting of 600,000 shares of 9.5% Series A Cumulative Redeemable Perpetual Preferred Stock, par value $0.001 per share (the "Series A Preferred") and 150,000 warrants to purchase common stock (the "Warrants", together with the Units and the Series A Preferred, the "Securities"), plus the grant of an over-allotment option for the issuance, sale and delivery of up to 90,000 additional Series A Preferred and/or 22,500 additional Warrants. Each Unit consists of (i) four shares of Series A Preferred and (ii) one Warrant which may become exercisable to purchase one share of our common stock. The Securities are to be offered and sold in the manner described in the Registration Statement and the related prospectus included therein. We estimate that the net proceeds to us from the sale of the Units in the Offering will be approximately $13.8 million (assuming the over-allotment option is not exercised), based on the public offering price of $100.00 per Unit, after deducting the total underwriting discounts and commissions payable, excluding estimated offering expenses. This amount does not include the proceeds that we may receive in connection with any exercise of the Warrants issued pursuant to the Offering.

Share-Based Compensation

We are authorized to issue equity-based awards under our 2010 Equity Incentive Plan, our 2014 Incentive Plan, and our 2017 Incentive Plan, each of which our stockholders have approved. We also award cash bonuses ("China Cash Bonuses") to our employees in China, which grants are not subject to a formal incentive plan and which can only be settled in cash. We grant such awards to attract, retain and motivate eligible officers, directors, employees and consultants. Under each of the plans, we have granted shares of restricted stock and options to purchase common stock to our officers and employees with exercise prices equal to or greater than the fair value of the underlying shares on the grant date.

Stock options and China Cash Bonuses generally expire 10 years from the grant date. All forms of equity awards and China Cash Bonuses vest upon the passage of time, the attainment of performance criteria, or both. When participants exercise stock options, we issue any shares of our common stock resulting from such exercise from new authorized and unallocated shares available at the time of exercise.

The following table summarizes activity under our equity incentive plans related to equity-classified stock option grants as of June 30, 2020, and changes during the six months then ended:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2020	10,359,079	$ 4.20		
Granted	—	—		
Exercised	(54,864)	1.23		
Forfeited, cancelled or expired	(87,375)	2.63		
Outstanding at June 30, 2020	10,216,840	$ 4.23	6.2	$ —
Options exercisable at June 30, 2020	9,876,966	$ 4.35	6.1	$ —

The following table summarizes activity under our equity incentive plans related to the China Cash Bonuses as of June 30, 2020, and changes during the six months then ended:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2020	1,087,500	$ 5.20		
Forfeited, cancelled or expired	(183,000)	5.42		
Outstanding at June 30, 2020	904,500	$ 5.16	5.0	$ —
Options exercisable at June 30, 2020	882,750	$ 5.25	4.9	$ —

During the six months ended June 30, 2020, we did not award restricted stock under our equity incentive plans.

During the three months ended June 30, 2020 and 2019, we incurred share-based compensation expense (benefit) of $0.6 million and $(0.1) million, respectively. During the six months ended June 30, 2020 and 2019, we incurred share-based compensation expense of $0.7 million and $0.2 million, respectively.

Net Loss per Share

For the three and six months ended June 30, 2020 and 2019, there were no reconciling items related to either the numerator or denominator of the loss per share calculation.

Securities which would have been anti-dilutive to a calculation of diluted earnings per share for the three and six months ended June 30, 2020 and 2019 include the outstanding stock options described above; the outstanding CBG Acquisition Warrant, which may be exercised to purchase 40,000 shares of our common stock at a per-share exercise price of $10.00 (we are also committed to the future issuance of additional CBG Acquisition Warrants at the same per-share exercise price as the CBG Acquisition Warrant that has already been issued); and the outstanding CBG Financing Warrants, which may be exercised to purchase 6,601,558 shares of our common stock at an exercise price of $1.93 per share.

NOTE 15. RELATED PARTY TRANSACTIONS

As of June 30, 2020, we had outstanding approximately $0.5 million of receivables from related parties. The receivables represent cash advances in excess of expense reimbursements to senior management. The cash to be received from these receivables was subsequently injected as additional capital into our VIEs in China. See Note 18 for more information regarding subsequent payment of these amounts to our VIEs.

NOTE 16. SEGMENT INFORMATION

As a result of our disposal of the previously-reported Travel and Entertainment segment, we currently report one segment: our Technology & Data Intelligence segment, which provides services to our customers based upon the data collected and processed by our proprietary data intelligence software.

Our chief operating decision maker uses Adjusted EBITDA as the primary measure of profitability for evaluating the operational performance of our reportable segment. Adjusted EBITDA represents operating income (loss) plus depreciation and amortization expense, share-based compensation expense, impairments and net other income, less other loss. We do not allocate certain types of shared expense, such as legal and accounting, to our reportable segment; such costs are included in Corporate Entity and Other.

The following table presents certain financial information regarding our reportable segment and other entities for the three and six months ended June 30, 2020 and 2019 (in thousands):

	Technology & Data Intelligence	Corporate Entity and Other	Consolidated
Three Months Ended June 30, 2020			
Revenue	$ 987	$ 1,312	$ 2,299
Adjusted EBITDA	$ (782)	$ (1,286)	$ (2,068)
Three Months Ended June 30, 2019			
Revenue	$ 2,465	$ 400	$ 2,865
Adjusted EBITDA	$ (344)	$ (2,310)	$ (2,654)
Six Months Ended June 30, 2020			
Revenue	$ 1,311	$ 1,419	$ 2,730
Adjusted EBITDA	$ (1,472)	$ (2,491)	$ (3,963)
Six Months Ended June 30, 2019			
Revenue	$ 2,890	$ 1,184	$ 4,074
Adjusted EBITDA	$ (3,003)	$ (4,927)	$ (7,930)

The following table reconciles Adjusted EBITDA to Loss before income taxes (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Adjusted EBITDA	$ (2,068)	$ (2,654)	$ (3,963)	$ (7,930)
Depreciation and amortization	(66)	(260)	(156)	(585)
Share-based compensation expense	(646)	102	(681)	(223)
Other expense (income), net	(58)	(92)	(57)	(47)
Other loss (gain)	—	(27)	(1,465)	(1)
Operating loss	$ (2,838)	$ (2,931)	$ (6,322)	$ (8,786)
Other income (expense)				
Interest expense	(775)	(553)	(1,236)	(940)
Other income (expense), net	57	92	57	47
Gain on lease termination	—	—	1,538	—
Change in fair value of warrant liability	(6,260)	2,078	(6,203)	662
Other gain (loss), net	—	27	(73)	1
Total other income (expense), net	$ (6,978)	$ 1,644	$ (5,917)	$ (230)
Income (Loss) from continuing operations before income taxes	$ (9,816)	$ (1,287)	$ (12,239)	$ (9,016)

The following table presents total assets for our reportable segment and the corporate and other entities (in thousands):

	June 30, 2020	December 31, 2019
Technology & Data Intelligence segment	$ 8,468	$ 7,450
Corporate entity and other business units	14,608	7,377
Consolidated	$ 23,076	$ 14,827

Capital expenditures for our Technology & Data Intelligence segment were de minimis during the three and six months ended June 30, 2020, respectively, and were de minimis and $0.1 million during the three and six months ended June 30, 2019, respectively.

NOTE 17. DISCONTINUED OPERATIONS

On May 15, 2019, we completed the VDC Transaction for an aggregate purchase price of $30.0 million. The business we sold in the VDC Transaction formerly comprised our Travel and Entertainment segment.

The following table presents the major classes of line items constituting the pretax profit or loss of the disposed Travel and Entertainment segment (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Revenue	$ 9,178	$ 27,432
Cost of revenue (excluding depreciation and amortization)	1,240	4,016
Selling, general and administrative	7,506	18,383
Technology and development	1,082	3,280
Depreciation, amortization and impairments	5,860	8,007
Other operating expense	139	384
Other expense (income) and loss (gain), net	(4,948)	(3,814)
Loss from discontinued operations before income taxes	(1,701)	(2,824)
Benefit from income taxes	214	214
Loss from discontinued operations	$ (1,487)	$ (2,610)

NOTE 18. SUBSEQUENT EVENTS

On July 27, 2020, senior management personnel described in Note 15 injected approximately $0.5 million into our VIEs, thereby reducing our receivable from them to zero.

Also on July 27, 2020, we granted to employees and directors, excluding our CEO, options to purchase approximately 5.6 million shares of our common stock. The option agreements governing the grants contain a stipulation that, regardless of vesting, such options do not become exercisable until stockholders approve an increase in the number of shares of our common stock authorized for issuance.

On August 3, 2020, we entered into the Hughes Center Lease Settlement with the Hughes Center Landlord. Under the Hughes Center Lease Settlement, we paid $0.45 million to the Hughes Center Landlord and agreed to pay another $0.15 million in three equal installments on each of September 1, 2020, October 1, 2020 and November 1, 2020, in full settlement of the obligations we incurred in relation to the office lease. If we do not make the installment payments on or before the specified dates, we will be required to pay an additional amount of approximately $0.2 million to the Hughes Center Landlord, which would increase the total aggregate settlement payments to approximately $0.8 million. The plaintiff has begun the process of discontinuing legal action against us.

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

You should read our discussion and analysis of our financial condition and results of operations for the three and six months ended June 30, 2020 in conjunction with our unaudited condensed consolidated financial statements and notes thereto set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q. Such discussion and analysis includes forward-looking statements that involve risks and uncertainties and that are not historical facts, including statements about our beliefs and expectations. You should also read "Special Note Regarding Forward-Looking Statements" in the section following the table of contents of this report.

OVERVIEW

We are a diversified global technology company with leading artificial intelligence ("AI") and data-analytics solutions, as well as a portfolio of digital media properties.

Our AI Business

Through our proprietary data and AI platform, our Remark AI business (currently known in the Asia-Pacific region as KanKan, and which we report as our Technology & Data Intelligence segment) generates revenue by delivering AI-based vision products, computing devices and software-as-a-service solutions for businesses in many industries. In addition to the other work that we have ramped up, we continue partnering with top universities on research projects targeting algorithm, artificial neural network and computing architectures which we believe keeps us among the leaders in technology development. During 2019, our research team participated in a series of computer vision competitions at the Conference on Computer Vision and Pattern Recognition and the International Conference on Computer Vision (considered the top two computer vision conferences in the world) and was ranked first or second in many of such competitions.

We continue to market Remark AI's innovative AI-based solutions to customers in the retail, urban life cycle and workplace and food safety markets.

Retail Solutions. Utilizing a client's existing cameras and strategic sensors placed throughout the store, Remark AI's retail solutions swiftly analyze real-time customer shopping behavior, such as time of store entry and shelf-browsing habits, and provide managers with a customer heatmap that reflects traffic patterns. Purchase history is also analyzed, leading to relevant offers for future purchase conversions, and customers for their continued loyalty through a special VIP status that brings customized promotions and coupons along with attentive customer service. Remark AI's retail solutions allow retailers and store managers to make better data-driven decisions regarding store layout, item placement, and pricing strategy, all while anonymizing customers' identities to protect their privacy.

Urban Life Cycle Solutions. We offer and have installed several solutions in what we call the urban life cycle category. Our urban life cycle solutions include our AI community system which assists in building "smart" communities by enhancing community security and safety. We also have AI solutions that help to make schools "smart" by (i) providing an accurate and convenient method for student check-in and check-out, (ii) providing an autonomous method of campus monitoring that enhances students' safety by, for example, monitoring students for elevated body temperatures that could indicate viral infections such as influenza or COVID-19, detecting trespassers, detecting dangerous behaviors or physical accidents that could result in injury, and (iii) monitoring the school kitchen for safety violations.

In traffic management, our solutions assist in monitoring traffic for various violations by automatically detecting, capturing, and obtaining evidence regarding violations such as speeding, running red lights, driving against the flow of traffic and even using counterfeit registration plates. Additionally, our solutions provide constant road-condition monitoring, providing control centers with real-time information on traffic conditions such as areas of congestion or other traffic anomalies.

Workplace and Food Safety Solutions. The monitoring and detection capabilities of our solutions ensure that workers are practicing established food safety protocols, wearing the proper personal protective equipment, and complying with local health codes. From commercial kitchens to factories to construction work zones, our safety-compliance algorithms manage regulatory functions, review hygienic and equipment status while checking and alerting management regarding violations.

Our Bio-Safety Business

The first half of 2020 was one of renewed focus for us as we repurposed and improved our existing urban life cycle solution that we were selling to make schools in China "smart" schools to build a new product line of high-quality, highly-effective thermal imaging solutions that leverage our innovative software. We currently focus our efforts predominantly in the U.S. market.

Remark AI Thermal Kits. We sell our Remark AI Thermal Kits to customers needing the ability to scan crowds and areas of high foot traffic for indications that certain persons with elevated temperatures may require secondary screening. Though the kits are semi-customizable, they generally consist primarily of a thermal imaging camera, a calibrating device, a computer to monitor the video feed, supporting equipment and our AI software. Once set up and calibrated, the kits scan a large number of people each minute, providing both thermally enhanced and standard video feeds that allow our customers to evaluate high volumes of people at large gatherings.

Remark AI Thermal Pads. Our Remark AI rPad thermal imaging devices, usually mounted on a wall or a single-post stand, are designed for customers needing the ability to scan individuals on a one-by-one basis in situations where rapid, high-volume scanning is not necessary, such as at a customer's office entrances where employees can be scanned as they enter for indications of an elevated temperature that may require secondary screening. In addition to thermal scanning, we can customize our AI software embedded in the rPad to perform additional safety and security functions including identifying persons for authorized entry.

We have also developed the Remark AI Thermal Helmet which can, for example, be worn by security personnel at large gatherings allowing for a mobile thermal scanning ability.

Other Businesses

We also maintain a digital media portfolio which, in addition to operating businesses, includes an approximately 4.5% ownership in the issued stock of Sharecare, Inc., an established health and wellness platform with more than 100 million users, which has now raised in excess of $425 million of total capital. We continue to evaluate opportunities to monetize and maximize the value of this asset for our shareholders. In addition to Data Platform Services revenue from our Remark AI business, activities such as online merchandise sales generated from Bikini.com, our e-commerce website selling swimwear and accessories in the latest styles, also contributed to our consolidated revenue in the current-year and prior-year periods, while advertising also contributed to revenue in prior-year periods.

Overall Business Outlook

Our innovative AI and data analytics solutions continue to gain worldwide awareness and recognition through media exposure, comparative testing, product demonstrations and word of mouth resulting from positive responses and increased acceptance. We intend to expand our business not only in the Asia-Pacific region, where we believe there still are fast-growth AI market opportunities for our solutions, but also in the United States and other countries where we see a tremendous number of requests for AI products and solutions in the workplace and public safety markets, especially in response to the COVID-19 pandemic. However, the COVID-19 pandemic may also continue to present challenges to our business, as could economic and geopolitical conditions in some international regions, and we do not yet know what will be the ultimate effects on our business. We continue to pursue large business opportunities, but anticipating when, or if, we can close these opportunities is difficult. Quickly deploying our software solutions in the market segments we have identified, in which we may face a number of large, well-known competitors, is also difficult.

Business Developments During 2020

After spending most of the first quarter of 2020 on product development and relationship building, we were able to launch our bio-safety business in the second quarter of 2020 and begin recognizing revenue from sales of the new products. Our expectation is that the U.S. will be the primary market for this new product line, though we will continue to work to develop other markets as well.

Though Chinese New Year celebrations, working capital constraints and the U.S.-China trade war had some adverse impact, our business has also been significantly impacted by the COVID-19 pandemic, which has resulted in national and local governmental authorities across the world implementing numerous preventative measures in an effort to control the spread of the virus, including travel restrictions, shelter-in-place orders, school closings, closure of non-essential businesses and other quarantine measures. The pandemic and the related preventative measures have limited our operational capabilities by preventing our employees from working for long periods of time and causing many of our customers to delay implementation of contracts we already signed with them, all of which has adversely impacted our business and results of operations. Our business and financial results may be materially and adversely impacted by the COVID-19 pandemic for the duration of 2020 or longer, and we are unable to predict the duration or degree of such impact with any certainty.

The following table presents our revenue categories as a percentage of total consolidated revenue during the six months ended June 30, 2020.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
AI-based products and services	89 %	86 %	87 %	71 %
Advertising and other	11 %	14 %	13 %	29 %

Matters Affecting Comparability of Results

Unless otherwise noted therein, the Results of Operations section below only discusses our continuing operations.

CRITICAL ACCOUNTING POLICIES

During the three and six months ended June 30, 2020, we made no material changes to our critical accounting policies as we disclosed them in Part II, Item 7 of our 2019 Form 10-K.

RESULTS OF OPERATIONS

The following discussion summarizes our operating results for the three and six months ended June 30, 2020 compared to the three and six months ended June 30, 2019.

Reportable Segment Results

Technology & Data Intelligence

(dollars in thousands)	Three Months Ended June 30,		Change	
	2020	2019	Dollars	Percentage
Revenue	$ 987	$ 2,465	$ (1,478)	(60)%
Cost of revenue	540	1,311	(771)	(59)%
Sales and marketing	124	119	5	4 %
Technology and development	1,420	776	644	83 %
General and administrative	253	402	(149)	(37)%
Depreciation and amortization	34	135	(101)	(75)%

(dollars in thousands)	Six Months Ended June 30,		Change	
	2020	2019	Dollars	Percentage
Revenue	$ 1,311	$ 2,890	$ (1,579)	(55)%
Cost of revenue	555	2,604	(2,049)	(79)%
Sales and marketing	219	445	(226)	(51)%
Technology and development	1,999	2,002	(3)	— %
General and administrative	529	854	(325)	(38)%
Depreciation and amortization	87	305	(218)	(71)%
Other operating expense	—	6	(6)	(100)%

Revenue and Cost of Revenue. During the three and six months ended June 30, 2020, we did not complete as many projects as in the comparable period, as the combined effects of the COVID-19 pandemic, the ongoing U.S.-China trade war and working capital constraints in the first quarter of 2020 continued to have an impact on our business. The comparable periods of the prior year included several project completions, with one in the first quarter of 2019 that was a larger project for which we recognized approximately $0.9 million in cost of revenue despite not being able to recognize the associated revenue due to uncertainty of collection of contract amounts due us.

Sales and marketing. During the six months ended June 30, 2020, our sales and marketing expense decreased almost entirely as a result of a reduction in headcount that resulted in decreased payroll-related expense as well as share-based compensation expense.

Technology and development. Our technology and development expense increased during three months ended June 30, 2020 due entirely to the increase in our stock price during the quarter, which led to an increase in share-based compensation expense on our liability-classified awards.

General and administrative. As part of our continued effort to reduce costs, we moved to a new office space in Chengdu, China under a lease that resulted in approximately $0.2 million less rent expense during the six months ended June 30, 2020. Another $0.1 million decrease resulted from less use of professional services.

Depreciation and Amortization. The decrease in this category resulted from normal depreciation and amortization and from certain assets that fully depreciated in the comparable period of the prior year.

Consolidated Results

(dollars in thousands)	Three Months Ended June 30,		Change	
	2020	**2019**	**Dollars**	**Percentage**
Revenue	$ 2,299	$ 2,865	$ (566)	(20)%
Cost of revenue	1,210	1,541	(331)	(21)%
Sales and marketing	486	687	(201)	(29)%
Technology and development	1,477	854	623	73 %
General and administrative	1,898	2,454	(556)	(23)%
Depreciation and amortization	66	260	(194)	(75)%
Interest expense	(775)	(553)	(222)	40 %
Other income	57	92	(35)	(38)%
Change in FV of warrant liability	(6,260)	2,078	(8,338)	(401)%
Other gain (loss)	—	27	(27)	(100)%

(dollars in thousands)	Six Months Ended June 30,		Change	
	2020	**2019**	**Dollars**	**Percentage**
Revenue	$ 2,730	$ 4,074	$ (1,344)	(33)%
Cost of revenue	1,231	3,134	(1,903)	(61)%
Sales and marketing	902	1,546	(644)	(42)%
Technology and development	2,125	2,158	(33)	(2)%
General and administrative	4,638	5,431	(793)	(15)%
Depreciation and amortization	156	585	(429)	(73)%
Other operating expense	—	6	(6)	(100)%
Interest expense	(1,236)	(940)	(296)	31 %
Other income	57	47	10	21 %
Gain on lease termination	1,538	—	1,538	
Change in FV of warrant liability	(6,203)	662	(6,865)	(1,037)%
Other gain (loss)	(73)	1	(74)	(7,400)%

In addition to the results of operations of our reportable segment that we described above, the following items impacted our consolidated results of operations:

Revenue and Cost of Revenue. During the three months ended June 30, 2020, revenue from our new bio-safety business increased $1.1 million as we launched our thermal imaging product line, while e-commerce revenue decreased about $0.1 million due to the combined effects of our decision to sell portions of our inventory at lower costs as well as reduced orders as the COVID-19 pandemic set in and changed consumer behavior.

During the six months ended June 30, 2020, the $1.1 million increase in revenue from our bio-safety business was partially offset as revenue from our Remark Entertainment business decreased $0.5 million due to contracts that ended in the prior year that we did not renew, while e-commerce revenue decreased about $0.3 million due to the combined effects of our decision to sell portions of our inventory at lower costs as well as reduced orders as the COVID-19 pandemic set in and changed consumer behavior.

Because we had recognized a full reserve against our inventory in the prior year, e-commerce cost of revenue decreased during the three and six months ended June 30, 2020.

Sales and marketing. The decrease in sales and marketing expense for the six months ended June 30, 2020 primarily resulted from a decrease in headcount.

General and administrative. Payroll and related costs and share-based compensation collectively decreased in our non-reportable-segment businesses during the three and six months ended June 30, 2020 by $0.2 million and $0.4 million, respectively, as a result of a decrease in headcount. Rent also decreased during the three months ended June 30, 2020 due to a less-costly lease on our office space in Las Vegas.

Interest expense. Our prepayment of a large portion of our debt when we completed the sale of Vegas.com resulted in the decrease in interest expense for the three and six months ended June 30, 2020.

Gain on lease termination. We recognized a gain when we terminated the lease for our former office space during the six months ended June 30, 2020, while the comparable period of the prior year reflected no comparable activity.

Change in fair value of warrant liability. The fair value of our warrant liability maintains a direct relationship with the price of our common stock, such that the increases in our common stock price between March 31, 2020 and June 30, 2020 and between December 31, 2019 and June 30, 2020 resulted in corresponding increases in the fair value of our warrant liability. The decreases in our common stock price were much larger in scale than the increases in our common stock price between March 31, 2019 and June 30, 2019 and between December 31, 2018 and June 30, 2019. As a result, we recognized large losses in the current-year periods compared to the small to moderate gains we recognized during the same periods of 2019.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the six months ended June 30, 2020, and in each fiscal year since our inception, we have incurred net losses which have resulted in an accumulated deficit of $359.1 million as of June 30, 2020. Additionally, our operations have historically used more cash than they have provided. Net cash used in continuing operating activities was $9.2 million during the six months ended June 30, 2020. As of June 30, 2020, our cash and cash equivalents balance was $10.2 million, and we had a negative working capital balance of $4.8 million.

We were a party to the Financing Agreement with the Lenders pursuant to which the Lenders extended credit to us consisting of a term loan in the aggregate principal amount of $35.5 million.

On May 15, 2019, we completed the sale of all of the issued and outstanding membership interests of Vegas.com and used the cash proceeds of $30.0 million to pay amounts due under the Financing Agreement, of which approximately $10.0 million remained outstanding after giving effect to the application of such cash proceeds.

On May 28, 2020, we repaid in full all outstanding obligations under, and terminated, the Financing Agreement in an amount equal to approximately $12.7 million.

On April 12, 2017, we issued a short-term note payable in the principal amount of $3.0 million to a private lender in exchange for cash in the same amount. The agreement, which does not have a stated interest rate, required us to repay the note plus a fee of $115 thousand on the maturity date of June 30, 2017. The note is accruing interest at $500 per day on the unpaid principal until we repay the note in full. As of June 30, 2020, we owed $2.4 million in principal and accrued interest on such note.

Pursuant to the terms of the purchase agreement we entered into in connection with our acquisition of Vegas.com in 2015, we were obligated to make an Earnout Payment of $1.0 million based upon the performance of Vegas.com in the year ended December 31, 2018, but we have not yet made such payment.

On March 3, 2020, we entered into the 2020 Aspire Purchase Agreement, later amended on April 9, 2020, with Aspire Capital under which Aspire Capital purchased $30.0 million of shares of our common stock. The 2020 Aspire Purchase Agreement terminated and replaced the 2019 Aspire Purchase Agreement.

Our history of recurring operating losses, working capital deficiencies and negative cash flows from operating activities, in conjunction with the ongoing events of default under the Financing Agreement, give rise to substantial doubt regarding our ability to continue as a going concern.

We intend to fund our future operations and meet our financial obligations through revenue growth in our Technology and Data Intelligence segment, as well as through sales of our thermal-imaging products. We cannot, however, provide assurance that revenue, income and cash flows generated from our businesses will be sufficient to sustain our operations in the twelve months following the filing of this Form 10-Q. As a result, we are actively evaluating strategic alternatives including debt and equity financings and potential sales of investment assets or operating businesses.

Conditions in the debt and equity markets, as well as the volatility of investor sentiment regarding macroeconomic and microeconomic conditions (in particular, in response to the COVID-19 pandemic), will play primary roles in determining whether we can successfully obtain additional capital. We cannot be certain that we will be successful at raising additional capital.

A variety of factors, many of which are outside of our control, affect our cash flow; those factors include the effects of the COVID-19 pandemic, regulatory issues, competition, financial markets and other general business conditions. Based on financial projections, we believe that we will be able to meet our ongoing requirements for at least the next 12 months with existing cash, cash equivalents and cash resources, and based on the probable success of one or more of the following plans:

- develop and grow new product line(s)
- monetize existing assets
- obtain additional capital through equity issuances.

However, projections are inherently uncertain and the success of our plans is largely outside of our control. As a result, there is substantial doubt regarding our ability to continue as a going concern, and we may fully utilize our cash resources prior to August 14, 2021.

Cash Flows - Continuing Operating Activities

During the six months ended June 30, 2020, we used $1.8 million more cash in continuing operating activities than we did during the same period of the prior year. The increase in cash used in continuing operating activities is a result of the timing of payments related to elements of working capital.

Cash Flows - Continuing Investing Activities

We engaged in de minimis investing activities during the six months ended June 30, 2020, and the change in investing activities from the comparable period of the prior year was not material.

Cash Flows - Financing Activities

During the six months ended June 30, 2020, we received $32.0 million from sales of shares of our common stock reflecting more activity under our agreements with Aspire Capital, whereas the same period of 2019 included stock sale proceeds of only $7.5 million. We also received debt proceeds of $0.4 million and repaid $13.3 million of debt, while the same period of the prior year included debt repayment of $25.5 million plus loan fee and debt issuance cost payments of $2.3 million.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

Recently Issued Accounting Pronouncements

Please refer to Note 2 in the Notes to Unaudited Condensed Consolidated Financial Statements included in this report for a discussion regarding recently issued accounting pronouncements which may affect us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures designed to provide reasonable assurance that the information we must disclose in reports we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. We designed our disclosure controls with the objective of ensuring we accumulate and communicate this information to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under Exchange Act, as of the end of the period covered by this report. Based upon that evaluation, our management, including our principal executive officer and principal financial officer, concluded that, because of the material weaknesses in our internal control over financial reporting related to: (i) insufficient documentary evidence that we had reviewed information underlying manual journal entries at a sufficient level of detail, (ii) insufficient documentation of our consideration of appropriate revenue recognition criteria for certain contracts arising from our Technology and Data Intelligence segment, (iii) an aggregation of deficiencies in our monitoring and activity-level controls related to processes in our Technology and Data Intelligence segment including accounts payable, accrued liabilities, payroll and fixed assets, and (iv) failure to retain documentary evidence of all inventory purchases and the insufficient evaluation of the impact of discounted sales transactions on the valuation of our inventory, all of which we described in our 2019 Form 10-K, our disclosure controls and procedures were not effective at a reasonable assurance level as of June 30, 2020.

Changes in Internal Control over Financial Reporting

In our 2019 Form 10-K, we disclosed that management had determined that material weaknesses in our internal control over financial reporting (described above) existed. As of the date of this report, we are implementing procedural changes that we believe will remediate the material weaknesses, but not all such changes are complete and those changes that have been implemented have not operated for a sufficient time to be evaluated for their effectiveness; therefore, there was no change in our internal control over financial reporting during such period that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

CBG Litigation

On February 21, 2018, we initiated a legal proceeding (the "CBG Litigation") against CBG, Adam Roseman, and CBG's Joint Official Liquidators (the "JOLs") arising from the CBG Acquisition. The CBG Litigation was filed in the United States District Court for the District of Nevada and is captioned as *Remark Holdings, Inc., et al. v. China Branding Group, Limited (In Official Liquidation), et al.*, Case No. 2:18-cv-00322. In the CBG Litigation, we sought a declaration from the court that we are entitled to rescission of the purchase agreement relating to the CBG Acquisition and all transactions related to the CBG Acquisition, a declaration that such purchase agreement and the transactions consummated pursuant thereto be rescinded and void ab initio, a declaration that we are not required to deliver the remaining CBG Acquisition Warrants allowing for the purchase of 5,710,000 shares of common stock at a per-share exercise price of $10.00, an order directing release to us of any consideration held in escrow in connection with the CBG Acquisition, and disgorgement of all consideration paid by us in connection with the CBG Acquisition. We alleged that the defendants fraudulently mispresented and concealed material information regarding the companies we acquired in the CBG Acquisition.

We entered into a settlement agreement with Mr. Roseman to settle all claims against him, and we dismissed those claims on May 13, 2019. We entered into a Stipulation for Settlement dated January 15, 2019 with CBG and the JOLs, which sets forth the binding terms of their settlement agreement (the "Stipulation for Settlement"). Pursuant to the Stipulation for Settlement, we will issue fully-transferable warrants on a non-diluted basis allowing for the purchase of 5,710,000 shares of our common stock at a per-share exercise price of $6.00, which warrants are exercisable for a period of 5 years from the date of the Stipulation for Settlement, and which we have the right to cause the warrant holders to exercise if the closing price of our common stock is $8.00 or greater on any 5 non-consecutive days in any consecutive 30-day trading window. The parties to the Stipulation for Settlement also agreed to negotiate anti-dilution provisions for the warrants. In exchange for the foregoing consideration, the parties to the Stipulation for Settlement agreed to release their claims against each other and enter into a written definitive settlement agreement. After entering into the Stipulation for Settlement, the JOLs demanded the warrants also include an exchange right. We rejected this request and filed a motion to enforce the Stipulation for Settlement on March 12, 2019. The Nevada court issued a report and recommendation on August 2, 2019, which was affirmed on September 24, 2019, requiring the JOLs to submit the written definitive settlement agreement (without an exchange right) to the Grand Court of the Cayman Islands overseeing CBG's liquidation for approval. An application for sanction to enter the settlement agreement was filed with the Grand Court on December 3, 2019. One month later, on or about January 2, 2020, the Grand Court approved the application, authorizing CBG and the JOLs to enter into the settlement. Counsel for the parties are currently finalizing the settlement agreement.

Greenspun Litigation

On May 21, 2019, James B. Gibson, in his capacity as the designated representative of the Amy Greenspun Arenson 2010 Legacy Trust, James Adam Greenspun 2010 Legacy Trust, Moira Greenspun Tarmy 2010 Legacy Trust, Jeffrey Aaron Fine 2010 Legacy Trust, Alyson Fine Marmur 2010 Legacy Trust, Jonathan M. Fine 2010 Legacy Trust, Kathryn A. Fine 2010 Legacy Trust, DRG Holdings, LP, DRG Legacy Limited Partnership, LLP and GC Investments, LLC, filed a Complaint against us in the District Court for Clark County, Nevada alleging that we breached the purchase agreement we entered into in connection with our acquisition of Vegas.com from the plaintiffs in 2015 by failing to make the final earnout payment under such purchase agreement. On July 12, 2019, the Nevada court entered a judgment against us in the total amount of $1,050,000. We are currently in the process of negotiating a settlement with the plaintiffs to resolve this matter.

MGG Litigation

On March 16, 2020, MGG filed a Summons with Notice against us in the Supreme Court of the State of New York, County of New York, alleging a claim for breach of contract under the Financing Agreement. On June 23, 2020, MGG voluntarily discontinued the legal action against us.

Landlord Litigation

On April 9, 2020, the Hughes Center Landlord filed a Complaint against us in the District Court for Clark County, Nevada alleging that we breached the office lease we entered into with the plaintiff for our former office located at 3960 Howard Hughes Parkway in Las Vegas, Nevada by failing to pay rent and other required charges under such lease. The plaintiff is seeking monetary damages in the amount of past due rent and other charges, plus attorneys' fees and costs and interest and certain declaratory relief. On August 3, 2020, we executed a settlement agreement with the plaintiff under which we paid $0.45 million and agreed to pay another $0.15 million in three equal installments, to plaintiff in full settlement of the obligations we incurred in relation to the office lease. If we do not make the installment payments on or before the specified dates, we will be required to pay an additional amount of approximately $0.2 million to the Hughes Center Landlord, which would increase the total aggregate settlement payments to approximately $0.8 million. The plaintiff has begun the process of discontinuing legal action against us.

ITEM 1A. RISK FACTORS

The continuing impacts of COVID-19 are highly unpredictable and could be significant, and may have an adverse effect on our business and financial results.

The global outbreak of COVID-19 has impacted our business and could continue to have a significant impact on our business for the duration of 2020 or longer. The impact of the COVID-19 on our business and future financial results could include, but may not be limited to:

- lack of revenue growth or decreases in revenue due to a lack of, or at least a decline in, customer demand and (or) deterioration in the credit quality of our customers;
- a significant increase in our need for external financing to maintain operations as a result of decreased revenue;
- significant decline in the debt and equity markets, thus impacting our ability to conduct financings on terms acceptable to us; and
- the rapid and broad-based shift to a remote working environment creates inherent productivity, connectivity, and oversight challenges. Preventative measures implemented by governmental authorities, such as travel restrictions, shelter-in-place orders and business closures, could significantly impact the ability of our employees and vendors to work productively. Governmental restrictions have been globally inconsistent and it is not clear when a return to worksite locations or travel will be permitted or what restrictions will be in place in those environments. In addition, the changed environment under which we are operating could have an impact on our internal controls over financial reporting as well as our ability to meet a number of our compliance requirements in a timely or quality manner.

The extent of the impact of the pandemic on our business and financial results will depend largely on future developments, including the duration and severity of the outbreak, the length of the travel restrictions and business closures imposed by domestic and foreign governments, the impact on capital and financial markets and the related impact on the financial circumstances of our customers, all of which are highly uncertain and cannot be predicted. The situation is changing rapidly, and additional impacts may arise that we are not aware of currently.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporated Herein By Reference To		
		Document	**Filed On**	**Exhibit Number**
3.1	Certificate of Elimination filed with the Secretary of State of Delaware on July 20, 2020.	8-K	7/20/20	3.1
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation.	8-K	7/24/20	3.1
3.3	Certificate of Correction of the Certificate of Amendment to the Amended and Restated Certificate of Incorporation.	8-K	7/31/20	3.1
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.			
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.			
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.			
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.			
101.SCH	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	REMARK HOLDINGS, INC.
Date: August 14, 2020	**By:** */s/ Kai-Shing Tao*
	Kai-Shing Tao
	Chairman and Chief Executive Officer
	(principal executive, financial and accounting officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kai-Shing Tao (the registrant's principal executive officer), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Remark Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2020

By: *<u>/s/ Kai-Shing Tao</u>*

Kai-Shing Tao
Chief Executive Officer and Chairman

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kai-Shing Tao (the registrant's principal financial officer and principal accounting officer), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Remark Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2020

By */s/ Kai-Shing Tao*

Kai-Shing Tao
Chief Executive Officer and Chairman

EXHIBIT 32

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kai-Shing Tao, the registrant's principal executive, financial and accounting officer, certify that, to my knowledge:

1. the accompanying Quarterly Report on Form 10-Q for the period ended June 30, 2020 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Remark Holdings, Inc. at the dates and for the periods indicated.

Date: August 14, 2020

/s/ Kai-Shing Tao

Kai-Shing Tao

Chief Executive Officer and Chairman