

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 28, 2020

Remark Holdings

Remark Holdings, Inc.

| | | |
|---|--|---|
| <u>Delaware</u> (State or other jurisdiction of incorporation) | <u>001-33720</u> (Commission File Number) | <u>33-1135689</u> (IRS Employer Identification No.) |
| <u>800 S. Commerce Street Las Vegas, NV</u> (Address of principal executive offices) | <u>89106</u> (Zip Code) | <u>702-701-9514</u> (Registrant's telephone number, including area code) |

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| <u>Title of each class</u> | <u>Trading Symbol</u> | <u>Name of each exchange on which registered</u> |
|---|-----------------------|--|
| Common Stock, \$0.001 par value per share | MARK | The NASDAQ Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

- 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.

Item 1.01. Entry into a Material Definitive Agreement.

On May 28, 2020, Remark Holdings, Inc. (“we,” “us” or “our”) entered into letter agreements (the “Letter Agreements”) with the holders of the warrants to purchase common stock (the “CBG Financing Warrants”) we issued in connection with an amendment to the Financing Agreement (as defined below) related to our acquisition of China Branding Group Limited. The Letter Agreements provide, among other things, that (i) the holders of the CBG Financing Warrants will not seek to exercise the CBG Financing Warrants until the earlier of (x) July 31, 2020 and (y) the effective date of an amendment to our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of our common stock to 300,000,000, and (ii) the exercise price of the CBG Financing Warrants will be reduced by \$0.30 per share. The foregoing description of the Letter Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of the form of Letter Agreement, which is attached as Exhibit 4.1 hereto and is incorporated herein by reference.

Item 1.02. Termination of a Material Definitive Agreement.

On May 28, 2020, we repaid in full all outstanding obligations under, and terminated, the Financing Agreement, dated as of September 24, 2015 (as amended, the “Financing Agreement”), between us, certain of our subsidiaries as borrowers, certain of our subsidiaries as guarantors, the lenders from time to time party thereto and MGG Investment Group LP, in its capacity as collateral agent and administrative agent for the lenders.

Item 2.02 Results of Operations and Financial Condition.

On May 28, 2020, we issued a press release announcing our financial results for the year ended December 31, 2019. A copy of such release is furnished herewith as Exhibit 99.1.

The information hereunder shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into a filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| Exhibit Number | Description |
|-----------------------|--|
| 99.1 | Press release dated May 28, 2020. |
| 4.1 | Form of Letter Agreement dated May 28, 2020. |

Signature

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 hereunto duly authorized.

Remark Holdings, Inc.

Date: May 28, 2020

By: */s/ Kai-Shing Tao*

Name: Kai-Shing Tao

Title: *Chief Executive Officer*

STRICTLY CONFIDENTIAL

REMARK HOLDINGS, INC.800 S. Commerce Street
Las Vegas, NV 89106

May 28, 2020

MGG SF EVERGREEN UNLEVERED FUND LP
c/o MGG Investment Group LP
888 Seventh Avenue, 43rd Floor
New York, NY 10106
Attn: Kevin F. GriffinRe: Warrant to Purchase Common Stock, issued September 20, 2016, as amended
(the "Warrant").

Ladies & Gentlemen:

We write in reference to the above referenced Warrant issued to MGG SF Evergreen Unlevered Fund LP (the "Holder") by Remark Holdings, Inc. (the "Company"). Capitalized terms used without definition in this letter agreement shall have the meanings ascribed thereto in the Warrant.

As a result of certain issuances of capital stock of the Company following the issuance of the Warrant, and notwithstanding Section 2 of the Warrant, the Company does not currently have sufficient authorized but unissued shares of Common Stock to allow full exercise of the Warrant by the Holder. In connection with this situation, the Company and the Holder agree as follows:

1. The Company shall, as soon as possible following the execution and delivery of this letter agreement, take such actions as may be necessary to cause its Certificate of Incorporation to be amended to increase the number of authorized shares of Common Stock to 300,000,000 (the "Amendment"), including, without limitation, (a) the Board of Directors of the Company approving such Amendment, causing such Amendment to be submitted to the stockholders of the Company for their approval and recommending such approval, (b) making any and all filings with the U.S. Securities and Exchange Commission ("SEC") and the Nasdaq Stock Market as may be required in connection with the Amendment, including the filing with the SEC of a Proxy Statement on Schedule 14A, which shall comply in all respects with the rules and regulations of the SEC, and the filing of any supplemental listing application as may be required by the Nasdaq Stock Market for the listing of any additional shares of Common Stock, (c) holding a stockholders meeting for the purpose of approving the Amendment and using reasonable best efforts to solicit proxies in favor of the approval of the Amendment and (d) following stockholder approval of the Amendment, causing the Amendment to be filed with the Delaware Secretary of State.

2. The Holder agrees that it will not seek to exercise the Warrant until the earlier of (a) July 31, 2020 and (b) the date on which the Amendment is effective.

3. In consideration of the Holder's agreement in paragraph 2, the Company agrees that the Warrant Price shall be reduced by \$0.30 (thirty cents) per Warrant Share, subject to further adjustment in accordance with the terms of the Warrant as a result of any events occurring after the date of this letter agreement.

4. Except as expressly set forth in this letter agreement (a) the Warrant remains in full force and effect in accordance with its terms and this letter agreement shall have no effect on any adjustments to the Warrant effective prior to the date hereof and (b) each of the Company and the Holder reserves all rights with respect to the Warrant.

5. Each of the Company and the Holder represents and warrants to the other as follows: (a) such party has all necessary corporate or other power and authority to enter into this letter agreement and perform its obligations under this letter agreement; (b) the execution, delivery and performance of this letter agreement has been duly authorized by all corporate or other action on the part of such party; and (c) this letter agreement has been duly executed and delivered by such party and constitutes the legal, valid and binding obligation of such party, enforceable in accordance with its terms.

* * *

If the foregoing accurately reflects your agreement with the respect to the matters addressed in this letter agreement, please countersign where indicated below.

REMARK HOLDINGS, INC.

By:
Name:
Title:

MGG SF EVERGREEN UNLEVERED FUND LP

By:
Name:
Title:

Remark Holdings

Remark Holdings Reports Fiscal Year 2019 Results

Company Also Announces the Payoff of All Debt Owed to MGG

LAS VEGAS, NV - May 28, 2020 - Remark Holdings, Inc. (NASDAQ: [MARK](#)), a diversified global technology company with leading artificial intelligence (“AI”) solutions and digital media properties, today announced financial results for its fiscal year ended December 31, 2019.

Management Commentary

“We spent the last three months of 2019 repositioning our business for success in 2020 by streamlining costs and focusing on recurring revenue generating lines of business,” said Kai-Shing Tao, Chairman and Chief Executive Officer of Remark Holdings. “Winning major contracts from the likes of China Mobile has positioned us for substantial revenue growth in 2020,” Mr. Tao added. “We are also announcing that, after fortifying our cash position, we paid in full all our outstanding obligations to MGG under our financing agreement with them, which significantly deleverages our balance sheet while simultaneously putting us in position to fulfill our existing contract backlog and invest in expanding our AI product offerings like thermal imaging and scanning.”

Fiscal 2019 Business Development Highlights

- Partnered with Hanvon Technology, a publicly-listed Chinese systems integrator that won the master retail contract, to transform China Mobile’s 17,800 corporate stores into smart retail stores. The first phase of this partnership with Hanvon is expected to bring \$50.0 million of revenue to the company over the three-year life of the project. At the end of 2019, implementations began across 2,000 retail outlets, with projections to be in over 5,000 stores in 2020. Phase Two of the project is out to bid, and the Company is a finalist.
- Expanded smart campus solutions, which provide attendance management and temperature screening, beyond Hangzhou into two additional large cities in China, Chongqing and Chengdu, and now deploying at 50 schools per month. Plans are to accelerate as schools resume classes, with an opportunity to serve China’s more than 160,000 K-5 schools.
- Launched a repurposed version of the company’s thermal imaging products for hospitals and businesses following the outbreak of COVID-19 in China. The experience gained in China is currently being deployed in the United States across many industries including casinos, restaurants, malls, law enforcement agencies and hospitality providers.

Fiscal 2019 Financial Results

- Revenue for fiscal 2019 was \$5.0 million, down from \$10.1 million during fiscal 2018. Regulatory changes in China’s financial services market caused the company to discontinue its FinTech services during 2018, which was responsible for \$3.7 million of the revenue decline. Remark’s revenue from AI-based solutions fell by \$0.7 million during the year as a result of factors such as the celebrations related to the 70th anniversary of the founding of the People’s Republic of China, the ongoing US-China trade war which caused disruption in supply chain management, extended project testing and customization work on larger projects and, finally, working capital constraints. Additionally, the company’s advertising and other revenue decreased \$0.6 million due to the sale of banks.com and the company’s other personal financial services Internet domains in 2018, the effects of which were partially offset by a modest increase in e-commerce sales.

- Total cost and expense for 2019 was \$27.8 million, a decrease from the \$54.6 million reported in 2018. The decrease is primarily attributable to a \$12.4 million decrease in stock-based compensation expense due the 2018 fiscal year including a large grant to the company's CEO, while no such large grant occurred in 2019. A decrease in cost of sales as a result of the discontinuation of FinTech services also significantly contributed to the cost and expense decrease, while declines in payroll and related cost as a result of headcount reductions also contributed to the decrease. The cost and expense decreases were partially offset by an increase of approximately \$2.1 million in the bad debt allowance resulting from an increased risk that certain trade receivables may not be fully collected, and a \$0.3 million increase in impairment charges.
- Operating loss declined to \$22.8 million in fiscal 2019 from \$44.5 million in fiscal 2018 commensurate with the cost and expense declines.
- Net loss from continuing operations totaled \$23.0 million or \$0.52 per diluted share in the fiscal year ended December 31, 2019, compared to a net loss from continuing operations of \$18.6 million, or \$0.48 per diluted share in the fiscal year ended December 31, 2018.
- At December 31, 2019, the cash and cash equivalents balance was \$0.3 million, compared to a cash position of \$1.4 million at December 31, 2018. Cash declined primarily due to timing of payments related to elements of working capital, offsetting proceeds from common stock issuances.

Subsequent Event

- Earlier today Remark paid MGG approximately \$12.7 million, representing full settlement of all loan principal, accrued but unpaid interest and accrued but unpaid service fees outstanding under the financing agreement, plus reasonable costs and expenses incurred by MGG to settle the account. As a result of the full repayment, all liens on the company's assets, including the investment in Sharecare, were removed.

“With the cleanup of our balance sheet behind us and our strengthened cash position, we can now focus on building out our global platform of AI-based solutions for the Fortune 500 companies we are servicing,” concluded Mr. Tao.

Conference Call Information

Management will hold a conference call this afternoon at 5:00 p.m. Eastern Time (2:00 p.m. Pacific Time) to discuss these financial results and provide an update on recent business developments. A question and answer session will follow management's presentation.

Toll-Free Number: 866.548.4713

International Number: 323.794.2093

Conference ID: 4347844

Participant Link: <http://public.viavid.com/index.php?id=139870>

Please call the conference telephone number 10 minutes prior to the start time. An operator will register your name and organization. The conference call will be broadcast simultaneously and available for replay via the investor section of the company's website [here](#). A replay of the call will be available after 7:30 pm Eastern time on the same day through June 2, 2020.

Toll-Free Replay Number: 844.512.2921

International Replay Number: 412.317.6671

Replay ID: 4347844

About Remark Holdings, Inc.

Remark Holdings, Inc. (NASDAQ: MARK) delivers an integrated suite of AI solutions that enable businesses and organizations to solve problems, reduce risk and deliver positive outcomes. The company's easy-to-install AI products are being rolled out in a wide range of applications within the retail, financial, public safety and workplace arenas. The company also owns and operates digital media properties that deliver relevant, dynamic content and ecommerce solutions. The company is headquartered in Las Vegas, Nevada, with additional operations in Los Angeles, California and in Beijing, Shanghai, Chengdu and Hangzhou, China. For more information, please visit the company's website at www.remarkholdings.com.

Forward-Looking Statements

This press release may contain forward-looking statements, including information relating to future events, future financial performance, strategies, expectations, competitive environment and regulation. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," and similar expressions, as well as statements in future tense, identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, including those discussed in Part I, Item 1A. Risk Factors in Remark Holdings' Annual Report on Form 10-K and Remark Holdings' other filings with the SEC. Any forward-looking statements reflect Remark Holdings' current views with respect to future events, are based on assumptions and are subject to risks and uncertainties. Given such uncertainties, you should not place undue reliance on any forward-looking statements, which represent Remark Holdings' estimates and assumptions only as of the date hereof. Except as required by law, Remark Holdings undertakes no obligation to update or revise publicly any forward-looking statements after the date hereof, whether as a result of new information, future events or otherwise.

Company Contact

E. Brian Harvey, Director of Capital Markets and Investor Relations
Remark Holdings, Inc.
ebharvey@remarkholdings.com
702-701-9514

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

| | December 31, | |
|---|--------------|-----------|
| | 2019 | 2018 |
| Assets | | |
| Cash and cash equivalents | \$ 272 | \$ 1,410 |
| Trade accounts receivable, net | 1,964 | 5,762 |
| Prepaid expense and other current assets | 4,623 | 7,907 |
| Notes receivable, current | — | 100 |
| Assets of disposal group, current | — | 28,966 |
| Total current assets | 6,859 | 44,145 |
| Property and equipment, net | 341 | 2,075 |
| Operating lease assets | 4,359 | — |
| Investments in unconsolidated affiliates | 1,935 | 2,005 |
| Intangibles, net | 509 | 1,010 |
| Other long-term assets | 824 | 450 |
| Assets of disposal group, long-term | — | 44,123 |
| Total assets | \$ 14,827 | \$ 93,808 |
| Liabilities and Stockholders' Equity | | |
| Accounts payable | \$ 8,126 | \$ 5,675 |
| Accrued expense and other current liabilities | 14,326 | 16,812 |
| Contract liability | 313 | 132 |
| Note payable | 3,000 | 3,000 |
| Current maturities of long-term debt, net of unamortized discount and debt issuance cost | 12,025 | 35,314 |
| Liabilities of disposal group, current | — | 41,648 |
| Total current liabilities | 37,790 | 102,581 |
| Operating lease liabilities, long-term | 4,650 | — |
| Warrant liability | 115 | 1,383 |
| Other liabilities | — | 2,934 |
| Liabilities of disposal group, long-term | — | 34 |
| Total liabilities | 42,555 | 106,932 |
| Commitments and contingencies | | |
| Preferred stock, \$0.001 par value; 1,000,000 shares authorized; none issued | — | — |
| Common stock, \$0.001 par value; 100,000,000 shares authorized: 51,055,159 and 39,053,312 shares issued and outstanding; each at December 31, 2019 and 2018, respectively | 51 | 39 |
| Additional paid-in-capital | 319,275 | 308,018 |
| Accumulated other comprehensive loss | (227) | 32 |
| Accumulated deficit | (346,827) | (321,213) |
| Total stockholders' equity (deficit) | (27,728) | (13,124) |
| Total liabilities and stockholders' equity | \$ 14,827 | \$ 93,808 |

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

| | Year Ended December 31, | |
|---|--------------------------------|-------------|
| | 2019 | 2018 |
| Revenue, net | \$ 5,020 | \$ 10,053 |
| Cost and expense | | |
| Cost of revenue (excluding depreciation and amortization) | 3,514 | 12,903 |
| Sales and marketing | 3,003 | 4,308 |
| Technology and development | 3,573 | 4,393 |
| General and administrative | 14,174 | 28,521 |
| Depreciation and amortization | 982 | 2,089 |
| Impairments | 2,522 | 2,209 |
| Other operating expense | 6 | 130 |
| Total cost and expense | 27,774 | 54,553 |
| Operating loss from continuing operations | (22,754) | (44,500) |
| Other income (expense) | | |
| Interest expense | (1,876) | (3,237) |
| Other income, net | 530 | 267 |
| Change in fair value of warrant liability | 1,268 | 27,879 |
| Other gain (loss) | (172) | 886 |
| Total other income (expense), net | (250) | 25,795 |
| Loss from continuing operations before income tax | (23,004) | (18,705) |
| Benefit from income taxes | — | 140 |
| Loss from continuing operations | (23,004) | (18,565) |
| Loss from discontinued operations, net of tax | (2,610) | (2,993) |
| Net loss | \$ (25,614) | \$ (21,558) |
| Other comprehensive income (loss) | | |
| Foreign currency translation adjustments | (259) | (83) |
| Comprehensive loss | \$ (25,873) | \$ (21,641) |
| Weighted-average shares outstanding, basic and diluted | 44,432 | 39,053 |
| Net loss per share, basic and diluted | | |
| Continuing operations | \$ (0.52) | \$ (0.48) |
| Discontinued operations | (0.06) | (0.07) |
| Consolidated | \$ (0.58) | \$ (0.55) |