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 March 31, 2019

Remark Holdings

Commission File Number 001-33720
Remark Holdings, Inc.

Delaware	33-1135689
State of Incorporation	IRS Employer Identification Number
3960 Howard Hughes Parkway, Suite 900 Las Vegas, NV 89169	702-701-9514
Address, including zip code, of principal executive offices	Registrant's telephone number, including area code

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 ☑

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

As of May 8, 2019, a total of 43,005,159 shares of our common stock were outstanding.

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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 per share amounts)

	March 31, 2019 (Unaudited)	December 31, 2018
Assets		
Cash and cash equivalents	$ 16,512	$ 14,410
Restricted cash	11,139	11,138
Trade accounts receivable, net	4,416	6,369
Prepaid expense and other current assets	13,500	12,128
Notes receivable, current	100	100
Total current assets	45,667	44,145
Property and equipment, net	9,654	10,570
Operating lease assets	6,108	—
Investment in unconsolidated affiliates	1,960	2,005
Intangibles, net	16,749	17,930
Goodwill	18,514	18,514
Other long-term assets	852	644
Total assets	$ 99,504	$ 93,808
Liabilities and Stockholders' Equity		
Accounts payable	$ 21,276	$ 30,876
Accrued expense and other current liabilities	31,921	24,664
Deferred merchant booking	10,747	4,664
Contract liability	6,089	4,063
Note payable	3,000	3,000
Current maturities of long-term debt, net of unamortized discount and debt issuance cost	35,547	35,314
Total current liabilities	108,580	102,581
Operating lease liabilities, long-term	7,339	—
Warrant liability	2,799	1,383
Other liabilities	254	2,968
Total liabilities	118,972	106,932
Commitments and contingencies (Note 14)		
Preferred stock, $0.001 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized; 40,722,229 and 39,053,312 shares issued and outstanding; each at March 31, 2019 and December 31, 2018, respectively	41	39
Additional paid-in-capital	310,618	308,018
Accumulated other comprehensive income	(62)	32
Accumulated deficit	(330,065)	(321,213)
Total stockholders' deficit	(19,468)	(13,124)
Total liabilities and stockholders' deficit	$ 99,504	$ 93,808

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 March 31,	
	2019	**2018**
Revenue	$ 19,463	$ 16,724
Cost and expense		
Cost of revenue (excluding depreciation and amortization)	4,369	4,032
Sales and marketing	10,107	9,351
Technology and development	3,502	3,049
General and administrative	4,606	18,564
Depreciation and amortization	2,472	2,718
Other operating expense	251	216
Total cost and expense	25,307	37,930
Operating loss	(5,844)	(21,206)
Other income (expense)		
Interest expense	(1,525)	(1,406)
Other income (expense), net	(41)	11
Change in fair value of warrant liability	(1,416)	8,610
Other loss	(26)	(31)
Total other income (expense), net	(3,008)	7,184
Loss before income taxes	(8,852)	(14,022)
Benefit from (provision for) income taxes	—	(31)
Net loss	$ (8,852)	$ (14,053)
Other comprehensive income (loss)		
Foreign currency translation adjustments	(94)	198
Comprehensive loss	$ (8,946)	$ (13,855)
Weighted-average shares outstanding, basic and diluted	39,258	32,395
Net loss per share, basic and diluted	$ (0.23)	$ (0.43)

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)

	Common Stock										
	Number of Shares		Par Value		Additional Paid-In Capital		Accumulated Other Comprehensive Income (Loss)		Accumulated Deficit		Total
Balance at December 31, 2017	28,406,026		28		220,117		115		(299,848)		(79,588)
Net loss	—		—		—		—		(14,053)		(14,053)
Effect of adopting of new revenue recognition policy	—		—		—		—		193		193
Share-based compensation	—		—		11,861		—		—		11,861
Equity instrument exercises	4,436,373		5		60,186		—		—		60,191
Reclassification of liability-classified stock-based compensation	—		—		(12)		—		—		(12)
Other	—		—		—		198		—		198
Balance at March 31, 2018	32,842,399	$	33	$	292,152	$	313	$	(313,708)	$	(21,210)
Balance at December 31, 2018	39,053,312	$	39	$	308,018	$	32	$	(321,213)	$	(13,124)
Net loss	—		—		—		—		(8,852)		(8,852)
Share-based compensation	—		—		98		—		—		98
Common stock sales	1,666,667		2		2,498		—		—		2,500
Equity instrument exercises	2,250		—		4		—		—		4
Other	—		—		—		(94)		—		(94)
Balance at March 31, 2019	40,722,229	$	41	$	310,618	$	(62)	$	(330,065)	$	(19,468)

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

	Three Months Ended March 31,	
	2019	**2018**
Net cash provided by (used in) operating activities	$ (71)	$ 329
Cash flows from investing activities:		
Purchases of property, equipment and software	(10)	(915)
Payment of payroll costs capitalized to software in progress	(314)	(490)
Acquisition of unconsolidated affiliate	(6)	—
Net cash used in investing activities	(330)	(1,405)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	2,504	284
Net cash provided by financing activities	2,504	284
Net change in cash, cash equivalents and restricted cash	2,103	(792)
Cash, cash equivalents and restricted cash:		
Beginning of period	25,548	34,302
End of period	$ 27,651	$ 33,510
Supplemental cash flow information:		
Cash paid for interest	$ 13	$ 1,028
Supplemental schedule of non-cash investing and financing activities:		
Issuance of common stock upon warrant exercise	$ —	$ 59,907

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 solutions for businesses in many industries and geographies. We also own and operate digital media properties across multiple verticals, such as travel and entertainment and young adult lifestyle, that deliver relevant, dynamic content that attracts and engages users on a global scale. Our common stock is listed on the Nasdaq Capital Market under the ticker symbol MARK.

Going Concern

During the three months ended March 31, 2019, and in each fiscal year since our inception, we have incurred net losses which have resulted in an accumulated deficit of $330.1 million as of March 31, 2019. Additionally, our operations have historically used more cash than they have provided. Net cash used in operating activities was $0.1 million during the three months ended March 31, 2019. As of March 31, 2019, our cash and cash equivalents balance was $16.5 million, and we had a negative working capital balance of $62.9 million.

On March 29, 2019, we entered into a common stock purchase agreement (the "2019 Aspire Purchase Agreement") with Aspire Capital Fund, LLC ("Aspire Capital"), which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have 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 2019 Aspire Purchase Agreement. The 2019 Aspire Purchase Agreement, which we describe in more detail in Note 15, terminated and replaced the common stock purchase agreement we had entered into with Aspire Capital on July 2, 2018 (the "2018 Aspire Purchase Agreement").

Concurrently with entering into the 2019 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 2019 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 2019 Aspire Purchase Agreement. As of March 31, 2019, Aspire Capital had not made any purchases of shares of our common stock under the 2019 Aspire Purchase Agreement.

During the three months ended March 31, 2019, we issued a total of 1,666,667 shares of our common stock to Aspire Capital under the 2018 Aspire Purchase Agreement in exchange for approximately $2.5 million. We did not issue our common stock in private sales during the three months ended March 31, 2019, and we did not sell any shares of our common stock during the three months ended March 31, 2018. We did receive cash from stock option exercises.

We are 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 "Guarantors"), the lenders from time to time party thereto (the "Lenders") and MGG Investment Group LP ("MGG"), in its capacity as collateral agent and administrative agent for the Lenders, 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 "Loan"). The terms of the Financing Agreement, the amendments thereto, and related documents effective as of March 31, 2019 are described in Note 12, which also describes our ongoing event of default relating to our failure to make certain required payments under the Financing Agreement as well as certain other ongoing events of default.

On March 15, 2019, we entered into a Membership Interest Purchase Agreement (the "VDC Purchase Agreement") with VDC-MGG Holdings LLC, a Delaware limited liability company (the "Purchaser"). Pursuant to the terms of the VDC Purchase Agreement, we agreed to sell to the Purchaser all of the issued and outstanding membership interests of Vegas.com, LLC ("Vegas.com") for an aggregate purchase price of $30 million (the "VDC Transaction"). By purchasing the membership interests of Vegas.com, the Purchaser will effectively assume an amount of negative working capital. The cash proceeds of the VDC Transaction will be used to pay amounts due under the Financing Agreement, of which approximately $10.0 million will remain outstanding after giving effect to the application of such cash proceeds. The Purchaser is an affiliate of MGG. We provide more detail regarding the VDC Purchase agreement in Note 12.

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; however, we cannot provide assurance that revenue, income and cash flows generated from our businesses will be sufficient to sustain our operations in the long term (including but not limited to payment of the amounts required under the Financing Agreement). As a result, we are actively evaluating strategic alternatives including the potential sale of certain non-core assets, investment assets and operating businesses. However, we may need to obtain additional capital through equity financing or debt financing. Conditions in the debt and equity markets, as well as the volatility of investor sentiment regarding macroeconomic and microeconomic conditions, will play primary roles in determining whether we can successfully obtain additional capital. Additionally, pursuant to the Financing Agreement, we are subject to certain limitations on our ability and the ability of our subsidiaries to, among other things, incur additional debt and transfer, sell or otherwise dispose of assets, without the consent of the Lenders. 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 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 following this report (including the amounts required under the Financing Agreement, based on the current status of discussions with the Lenders regarding ongoing events of default) with existing cash, cash equivalents and cash resources, and based on the probable success of one or more of the following plans:

- monetize existing assets
- work with our creditors to modify existing arrangements or refinance our debt
- obtain additional capital through equity issuances, including but not limited to equity issuances to Aspire Capital under its existing purchase commitment (which equity issuances may dilute existing stockholders)

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 May 10, 2020.

Comparability

We have reclassified certain amounts in our March 31, 2018 unaudited condensed consolidated financial statements to conform to the current presentation as of March 31, 2019. Specifically, we have changed how we present operating expense to better reflect the activities that generate such expense. Neither total stockholders' deficit as of March 31, 2018 nor net loss or cash flows for the three months ended March 31, 2018 changed because of the reclassifications.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We prepared the accompanying unaudited Condensed Consolidated Balance Sheet as of March 31, 2019, with the audited Consolidated Balance Sheet amounts as of December 31, 2018 presented for comparative purposes, and the related unaudited Condensed Consolidated Statements of Operations and Statements of Cash Flows 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 as of March 31, 2019, our unaudited Condensed Consolidated Statements of Operations and our unaudited 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 "2018 Form 10-K").

Consolidation

We include all of our subsidiaries, which include the VIEs for which we are the primary beneficiary, in our 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.

Use of Estimates

We prepare our consolidated financial statements in conformity with GAAP. While preparing our unaudited condensed consolidated financial statements, we make estimates and assumptions that affect amounts reported and disclosed in the unaudited condensed 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, stock-based compensation, the fair value of the warrant liability, income taxes, inventory reserve and purchase price allocation, among other items.

Changes to Significant Accounting Policies - Leases

We adopted Accounting Standards Codification Topic 842, *Leases* ("ASC 842"), as of January 1, 2019. When adopting ASC 842 we elected several practical expedients permitted under the transition guidance within ASC 842, which, among other things, allowed us to carry forward the historical lease classification and to avoid recording leases that had expired prior to the date of adoption. We also elected to combine the lease and non-lease components of our leases for office space (which represent the largest portion of our operating lease assets and liabilities) and not to record leases with initial terms of 12 months or less (short-term leases) on the balance sheet. We amortize the cost of short-term leases on a straight-line basis over the lease term.

As of January 1, 2019, our adoption of ASC 842 added $7.7 million of operating lease assets, $2.2 million of current operating lease liabilities (reported in Accrued expense and other current liabilities) and $8.9 million of long-term operating lease liabilities to our balance sheet, and it removed $3.3 million of previously-recorded deferred rent and early lease termination liabilities; it had no effect on consolidated net loss or consolidated cash flows.

Recently Issued Accounting Pronouncements

We have reviewed all recently issued accounting pronouncements. The pronouncements that we have already adopted, except as noted above for leases, did not have a material effect on our financial condition, results of operations, cash flows or reporting thereof, and except as otherwise noted above, 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

We are not required to include disclosures related to remaining performance obligations because substantially all of our contracts with customers have an original expected duration of one year or less.

Disaggregation of Revenue

The following table presents a disaggregation of our revenue by major category for the three months ended March 31, 2019 and 2018 (in thousands):

	Three Months Ended	
Revenue category	**March 31, 2019**	**March 31, 2018**
Transaction services	$ 17,345	$ 13,852
Data platform services	425	1,183
Advertising and other	1,693	1,689
Revenue	$ 19,463	$ 16,724

Significant Judgments

When accounting for revenue in accordance with ASC 606, 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 ASC 606, 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 three months ended March 31, 2019, our contract liability changed only as a result of routine business activity. We recognized revenue of $3.2 million and $2.9 million during the three months ended March 31, 2019 and 2018, respectively, which was included in the beginning balance of Contract liability at January 1st of the respective period.

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 March 31, 2019, 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 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:

	March 31, 2019	December 31, 2018
CBG Financing Warrants		
Expected volatility	70.00%	70.00%
Risk-free interest rate	2.34%	2.52%
Expected remaining term (years)	1.48	1.73
CBG Acquisition Warrants		
Expected volatility	70.00%	70.00%
Risk-free interest rate	2.22%	2.46%
Expected remaining term (years)	4.47	4.72

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 March 31, 2019, we estimated that five future 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. If we added or subtracted five percentage points with regard to our estimate of expected volatility, or if our stock price increased or decreased by five percent, our estimates of fair value would change approximately as follows (in thousands):

Change in volatility	**Increase**	**Decrease**
CBG Financing Warrants	$ 100	$ 165
CBG Acquisition Warrants	460	405
Change in stock price		
CBG Financing Warrants	$ 65	$ 100
CBG Acquisition Warrants	290	115

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

	Three Months Ended March 31, 2019	Year Ended December 31, 2018
Balance at beginning of period	$ 1,383	$ 89,169
Warrant exercises	—	(59,907)
Increase (decrease) in fair value	1,416	(27,879)
Balance at end of period	$ 2,799	$ 1,383

At January 1, 2018, our outstanding liability-classified warrants included warrants we issued in connection with our acquisition of all of the outstanding equity interests in Vegas.com in September 2015 (the "VDC Acquisition") and the financing related thereto (the "VDC Acquisition Warrants" and the "VDC Financing Warrants", respectively). On January 8, 2018, holders of VDC Acquisition Warrants with respect to 2,416,996 shares of our common stock exercised such warrants. Because the VDC Acquisition Warrants provided that such warrants were exercisable on a cashless basis only, we issued a total of 750,102 shares of common stock in settlement of such warrants without receiving any proceeds from the exercise thereof.

On January 10, 2018, we exercised our right to exercise all remaining VDC Acquisition Warrants and VDC Financing Warrants (which right became effective when the closing price of our common stock reached $14.00), exercising VDC Acquisition Warrants with respect to 6,184,414 shares of our common stock and VDC Financing Warrants with respect to 3,117,148 shares of our common stock. Because the VDC Acquisition Warrants and VDC Financing Warrants provided that such warrants were exercisable on a cashless basis only, we issued a total of 2,236,915 and 1,385,396 shares of common stock to the holders of the VDC Acquisition Warrants and the VDC Financing Warrants, respectively, in settlement of such warrants without receiving any proceeds from the exercise thereof.

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 the VDC Acquisition 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 three months ended March 31, 2019 in the balance of the liability associated with the Earnout Payments (in thousands):

Balance at beginning of period	$	990
Payments		—
Change in fair value of contingent consideration (included in Other loss)		10
Balance at end of period	$	1,000

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

NOTE 5. RESTRICTED CASH

Our restricted cash as of March 31, 2019 and December 31, 2018 relates to a Letter of Credit Facility Agreement between Vegas.com and Bank of America, N.A. to satisfy the requirements of several of the vendors for whom we sell products (hotel rooms, air travel, show tickets, etc.) through our online outlets. By contract, certain vendors require letters of credit as a means of securing our payment to them of amounts related to the sales we make on their behalf. We renew the letter of credit facility annually in May, and the restrictions on the cash related to the letters of credit will remain to the extent we continue to enter into contracts requiring the security of letters of credit.

The following table provides a reconciliation of the amounts separately reported as Cash and cash equivalents and Restricted cash on our Condensed Consolidated Balance Sheets with the single line item reported on our consolidated statements of cash flows as Cash, cash equivalents and restricted cash (in thousands):

	March 31, 2019	December 31, 2018
Cash and cash equivalents	$ 16,512	$ 14,410
Restricted cash reported in current assets	11,139	11,138
Total cash, cash equivalents and restricted cash	$ 27,651	$ 25,548

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 March 31, 2019, we owned approximately five percent 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 Beijing All-in-one Cloud Net Technology, Co. Ltd. ("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 by March 31, 2019, 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 March 31, 2019, the amount of our equity in AIO's net earnings for their quarter ended December 31, 2018 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):

	March 31, 2019	December 31, 2018
Other receivables	$ 6,329	$ 5,132
Prepaid expense	3,077	2,747
Deposits	3,395	3,420
Inventory, net	504	587
Other current assets	195	242
Total	$ 13,500	$ 12,128

NOTE 8. PROPERTY AND EQUIPMENT

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

	Estimated Life (Years)	March 31, 2019	December 31, 2018
Vehicles	5	$ 1,296	$ 1,296
Computers and equipment	2 - 12	2,002	1,989
Furniture and fixtures	2 - 9	155	155
Software	3 - 5	21,630	21,559
Software development in progress		2,446	2,139
Leasehold improvements	1 - 10	604	599
Total property, equipment and software		$ 28,133	$ 27,737
Less accumulated depreciation		(18,479)	(17,167)
Total property, equipment and software, net		$ 9,654	$ 10,570

For the three months ended March 31, 2019 and 2018, depreciation (and amortization of software) expense was $1.3 million and $1.4 million, respectively.

NOTE 9. LEASES

We lease office space, vehicles and equipment under contracts we classify as operating leases. None of our leases are financing leases. Several of our leases include one or more options to renew; however, as of March 31, 2019, we are not reasonably certain that we will exercise the renewal options and we have not included such renewal options in the lease liabilities or disclosures herein.

As of March 31, 2019, the current portion of our operating lease liability was $2.0 million and was reported in Accrued expense and other current liabilities on our Unaudited Condensed Consolidated Balance Sheet.

During the three months ended March 31, 2019, we recognized $0.8 million and $0.1 million, respectively, of operating lease cost and short-term lease cost in General and administrative expense, and $0.3 million of short-term lease cost in Sales and marketing expense. The operating lease cost was net of $0.3 million of sublease income.

We reported within operating cash flows $0.8 million of cash paid for amounts included in the measurement of operating lease liabilities.

As of March 31, 2019, our operating leases had a weighted-average remaining lease term of approximately 51 months, and we used a weighted-average discount rate of 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 March 31, 2019 Unaudited Condensed Consolidated Balance Sheet (in thousands).

Operating lease liabilities maturing during the next:		
One year	$	3,086
Two years		2,693
Three years		2,632
Four years		2,222
Five years		1,655
Thereafter		—
Total undiscounted cash flows	$	12,288
Present value of cash flows	$	9,339
Lease liabilities on balance sheet:		
Short-term		2,000
Long-term		7,339
Total lease liabilities	$	9,339

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. GOODWILL AND OTHER INTANGIBLE ASSETS

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

	March 31, 2019			December 31, 2018		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Finite-lived intangible assets						
Domain names	$ 1,417	$ (937)	$ 480	$ 1,411	$ (917)	$ 494
Customer relationships	23,186	(15,689)	7,497	23,186	(14,611)	8,575
Media content and broadcast rights	1,350	(990)	360	1,350	(923)	427
Acquired technology	436	(428)	8	436	(406)	30
Other intangible assets	68	(68)	—	68	(68)	—
	$ 26,457	$ (18,112)	$ 8,345	$ 26,451	$ (16,925)	$ 9,526
Indefinite-lived intangible assets						
Trademarks and trade names	$ 8,276		$ 8,276	$ 8,276		$ 8,276
License to operate in China	128		128	128		128
Total intangible assets	$ 34,861		$ 16,749	$ 34,855		$ 17,930

Total amortization expense was $1.2 million and $1.3 million for the three months ended March 31, 2019 and 2018, respectively.

The following table summarizes the changes in goodwill during the three months ended March 31, 2019 and the year ended December 31, 2018 (in thousands):

	Three Months Ended March 31, 2019			Year Ended December 31, 2018		
	Travel & Entertainment Segment	Corporate Entity and Other Business Units	Total	Travel & Entertainment Segment	Corporate Entity and Other Business Units	Total
Balance at beginning of period	$ 18,514	$ —	$ 18,514	$ 18,514	$ 1,585	$ 20,099
Impairment of goodwill	—	—	—	—	(1,585)	(1,585)
Balance at end of period	$ 18,514	$ —	$ 18,514	$ 18,514	$ —	$ 18,514

NOTE 11. INCOME TAX

Our effective tax rate ("ETR") from continuing operations was 0.0% for the three months ended March 31, 2019. The quarterly ETR has not significantly differed from our historical annual ETR because we continue to maintain a full valuation allowance.

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.

Other Debt

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

	March 31, 2019	December 31, 2018
Loan due September 2020	$ 35,500	$ 35,500
Unamortized original issue discount	(1,188)	(1,418)
Unamortized debt issuance cost	(15)	(18)
Carrying value of Loan	34,297	34,064
Exit fee payable in relation to Loan	1,250	1,250
Total long-term debt	$ 35,547	$ 35,314
Less: current portion	(35,547)	(35,314)
Long-term debt, less current portion and net of debt issuance cost	$ —	$ —

On September 24, 2015, we entered into the Financing Agreement, pursuant to which the Lenders provided us with the $27.5 million Loan. We entered into Amendment No. 1 to Financing Agreement on September 20, 2016 which, among other changes, increased the Loan by $8.0 million to a total aggregate principal amount of $35.5 million. As of March 31, 2019, after amendments and other events described below, the Loan bore interest at three-month LIBOR (with a floor of 1%) plus 11% per annum, payable monthly, and had a maturity date of September 30, 2020. As of March 31, 2019, the applicable interest rate on the Loan was approximately 14% per annum.

In connection with the Financing Agreement, we also entered into a security agreement dated as of September 24, 2015 (the "Security Agreement") with the other Borrowers and the Guarantors for the benefit of MGG, as collateral agent for the Secured Parties referred to therein, to secure the obligations of the Borrowers and the Guarantors under the Financing Agreement. The Security Agreement provides for a first-priority lien on, and security interest in, all assets of Remark and our subsidiaries, subject to certain exceptions.

On October 25, 2017, we entered into Amendment No. 2 and Waiver and Consent to Financing Agreement, pursuant to which the Lenders waived specified events of default under the Financing Agreement occurring prior to January 1, 2018, including but not limited to events of default resulting from our non-compliance with covenants requiring minimum consolidated EBITDA of Remark and its subsidiaries and value of our assets. The Lenders also waived the covenant related to restricted cash balance through September 19, 2017.

On December 5, 2017, we entered into Amendment No. 3 to Financing Agreement pursuant to which the Lenders agreed, among other things, to modify certain of our covenants under the Financing Agreement, including (i) replacing the covenant regarding consolidated EBITDA of Remark and our subsidiaries with a covenant regarding consolidated gross revenue of our subsidiaries engaged in the operation of our KanKan business, (ii) modifying the covenants regarding consolidated EBITDA of Vegas.com and its subsidiaries and the value of certain of our assets, and (iii) increasing the amount we are permitted to invest in our non-U.S. subsidiaries operating our KanKan business, subject to certain conditions.

On April 30, 2018, we entered into Amendment No. 4 and Waiver to Financing Agreement (the "Fourth Financing Amendment"), which provided for, among other things, (i) a reduction in the interest rate on the remaining amount outstanding under the Financing Agreement to three-month LIBOR plus 8.5% per annum, (ii) an extension of the maturity date under the Financing Agreement to September 30, 2020, (iii) a modification of certain of our covenants under the Financing Agreement, including covenants regarding capital expenditures, minimum value of certain of our assets, consolidated EBITDA of Vegas.com and its subsidiaries, and revenue generated by KanKan, (iv) an increase in the amount we are permitted to invest in our non-U.S. subsidiaries operating our KanKan business (v) a waiver by the Lenders of certain events of default under the Financing Agreement and (vi) prepayment by the Borrowers of $8.0 million principal amount outstanding and $3.5 million of exit fees under the Financing Agreement within 60 days following the date of the Fourth Financing Amendment. In consideration for the Lenders' entry into the Fourth Financing Amendment, we also paid a closing fee of approximately $413 thousand.

Effective as of June 29, 2018, we entered into Amendment No. 5 and Waiver to Financing Agreement (the "Fifth Financing Amendment") pursuant to which the Lenders agreed, among other things, to extend the due date of the prepayments required by the Fourth Financing Amendment for up to three months, provided that we made extension payments on the first business day of each such month. The extension payments were $250,000 for each of the first two months and $500,000 for the third month, with the final extension period ending on September 28, 2018. We made the extension payments required by the Fifth Financing Amendment to extend the due date of the prepayments required by the Fourth Financing Amendment to September 28, 2018; however, we failed to prepay the $8.0 million principal amount and $3.5 million of exit fees due on such date. Such failure to make the required payments constitutes an event of default under the Financing Agreement and as a result, from September 28, 2018, the Loan bore interest at three-month LIBOR plus 11.0%, the default interest rate.

The Financing Agreement also contains certain affirmative and negative covenants (including, but not limited to, financial covenants with respect to quarterly EBITDA levels and the value of our assets). As of March 31, 2019, we were not in compliance with the covenant under the Financing Agreement requiring minimum revenue from our KanKan business during the trailing twelve-month period ended March 31, 2019 of $30.0 million, as actual revenue from our KanKan business during such period was $7.3 million. We were also not in compliance with the covenants under the Financing Agreement requiring minimum revenue from our KanKan business during the year ended December 31, 2018 of $25.0 million and during the trailing nine-month period ended September 30, 2018 of $12.6 million. Our non-compliance with such covenants constitute events of default under the Financing Agreement.

As a result of our ongoing events of default under the Financing Agreement, we have classified the debt as current in the accompanying balance sheet.

Agreements with Lenders

On March 15, 2019, we entered into the VDC Purchase Agreement with the Purchaser. Pursuant to the terms of the VDC Purchase Agreement, we agreed to sell to the Purchaser all of the issued and outstanding membership interests of Vegas.com, for an aggregate purchase price of $30 million. By purchasing the membership interests of Vegas.com, the Purchaser will effectively assume an amount of negative working capital. The cash proceeds of the VDC Transaction will be used to pay amounts due under the Financing Agreement, of which approximately $10.0 million will remain outstanding after giving effect to the application of such cash proceeds.

The VDC Purchase Agreement contains representations, warranties, covenants, indemnification provisions and closing conditions customary for transactions of this type. The VDC Purchase Agreement also contains a restriction on Vegas.com making any payment or transfer of funds, cash or any other asset to us or our other subsidiaries in excess of $150,000 in the aggregate in any 30-day period from and after the date of the VDC Purchase Agreement. Additionally, the VDC Purchase Agreement contains the following closing conditions, among others: (i) Vegas.com's purchasing at its expense a six-year tail directors' and officers' liability insurance policy; (ii) with respect to a certain intellectual property license agreement pursuant to which certain intellectual property is licensed to Vegas.com, execution and delivery of an assignment of such agreement by the licensor party to such agreement to the record owner of the relevant intellectual property; and (iii) approval of the VDC Transaction by the holders of a majority of our outstanding shares of common stock ("Stockholder Approval"). Under the VDC Purchase Agreement, we also agreed that we will not, and we will cause Vegas.com not to, engage in certain transactions or take certain actions prior to closing without the Purchaser's prior written consent.

The VDC Purchase Agreement is subject to customary termination provisions, and also may be terminated (i) by the Purchaser, if we did not file a preliminary proxy statement related to the VDC Purchase Agreement with the SEC within five business days after the date of the VDC Purchase Agreement (we filed the preliminary proxy statement on March 22, 2019), (ii) by either party, if our stockholders vote on approval of the VDC Purchase Agreement and the VDC Transaction at a stockholder meeting held for such purpose (the "Special Meeting") and Stockholder Approval is not obtained, (iii) by either party, if the closing does not occur before June 15, 2019, which deadline may be extended by the Purchaser in its sole discretion to August 15, 2019 if Stockholder Approval is not obtained by June 15, 2019, or (iv) by either party, if our board of directors (the "Board") makes a "Seller Adverse Recommendation Change" (as defined in the VDC Purchase Agreement) in accordance with the terms of the VDC Purchase Agreement, which may relate to, among other things, the Board's approval of an alternative third-party acquisition proposal. The Board's ability to make a Seller Adverse Recommendation Change is subject to the Board's determination, after consultation with independent financial advisors and outside legal counsel, that the failure to make such a Seller Adverse Recommendation Change would be inconsistent with the Board's fiduciary duties under applicable law. Additionally, before the Board can make a Seller Adverse Recommendation Change, we are required to give the Purchaser notice and, if and to the extent desired by the Purchaser, negotiate with the Purchaser in good faith to make adjustments to the terms of the VDC Purchase Agreement.

In connection with our entry into the VDC Purchase Agreement, in its capacity as administrative agent and collateral agent for the Lenders, MGG provided us with a letter in which MGG (a) consented to the VDC Transaction, or to an alternative transaction to sell all of the issued and outstanding membership interests of Vegas.com under certain limited conditions (an "Alternative Transaction") and (b) agreed it is willing to forbear from taking enforcement actions under the Financing Agreement and applicable law, effective on such date as we pay certain outstanding costs and expenses of the Lenders payable under the Financing Agreement, through up to June 4, 2019. The forbearance will terminate early under certain circumstances, including but not limited to the following: (i) if any event of default occurs under the Financing Agreement, other than those previously specified by us to the Lenders; (ii) if we or Vegas.com breach or default under the VDC Purchase Agreement; (iii) if the VDC Purchase Agreement is terminated for any reason other than for us to enter into an agreement with respect to an Alternative Transaction under the conditions specified in the VDC Purchase Agreement; (iv) if we do not file a preliminary proxy statement with the SEC within five business days after the date of the VDC Purchase Agreement; (v) if we do not file a definitive proxy statement with the SEC within three business days after expiration of the required 10-day waiting period after filing the preliminary proxy statement, or if we receive SEC comments, on the earlier of (x) three business days after resolution of such comments and (y) April 24, 2019; (vi) if we do not hold the Special Meeting within 40 calendar days after the filing of the definitive proxy statement with the SEC; and (vii) if the VDC Transaction does not close in accordance with the VDC Purchase Agreement within one business day after the Special Meeting. The forbearance letter with MGG also (i) restricts Vegas.com from transferring cash or other assets to us or our other subsidiaries in excess of $150,000 in any 30-day consecutive period, (ii) restricts us and our domestic subsidiaries from transferring cash or other assets to our foreign subsidiaries in excess of $10,000, other than the transfer of cash proceeds from certain future equity issuances and (iii) requires us to deliver to MGG a rolling 13-week cash flow forecast each week. We filed the preliminary and definitive proxy statements with the SEC within the required time frames, and the Special Meeting is scheduled to occur within the required time frame.

If MGG's forbearance expires, as a result of existing events of default under the Financing Agreement (as previously disclosed in our filings with the SEC), the Lenders may declare our obligations under the Financing Agreement, including all unpaid principal and interest, due and payable immediately and exercise such other rights available to them under the Financing Agreement, which could have a material adverse effect on our financial condition. Additionally, in connection with our entry into the VDC Purchase Agreement, we are in discussions with MGG regarding a resolution of the existing events of default under the Financing Agreement and an amendment to the Financing Agreement, anticipated to be entered into at the closing of the VDC Transaction. We cannot provide any assurance that we will be successful in completing the VDC Transaction or resolving the existing events of default under the Financing Agreement, or that the Lenders will forbear from taking any enforcement actions against us.

NOTE 13. OTHER LIABILITIES

The following table presents the components of other liabilities (in thousands):

	March 31, 2019	December 31, 2018
Deferred rent	$ —	$ 1,583
Accrued early lease termination liability	—	1,137
Deferred tax liability, net	214	214
Other	40	34
Total	$ 254	$ 2,968

NOTE 14. COMMITMENTS AND CONTINGENCIES

Letters of Credit

As detailed in Note 5, we are party to a letter of credit facility under which certain third parties could potentially require us to make payment. At March 31, 2019, we had restricted approximately $11.1 million of cash for potential payments under our letter of credit facility.

Other Commitment

On February 22, 2018, Vegas.com entered into an agreement for use of a suite at the new stadium being built in Las Vegas for the Vegas Raiders team of the National Football League. Under the agreement, we are obligated to pay $0.2 million on March 1, 2020, and thereafter we are obligated to pay an aggregate of $7.2 million in 14 annual installments beginning on the March 1st after the Vegas Raiders play their first game in the new stadium.

Contingencies

We are neither a defendant in any material pending legal proceeding nor are we aware of any material threatened claims against us; therefore, we have not accrued any contingent liabilities, exclusive of the liability for the Earnout Payment related to the VDC Acquisition.

NOTE 15. STOCKHOLDERS' EQUITY, STOCK-BASED COMPENSATION AND NET LOSS PER SHARE

Equity Issuances

On March 29, 2019, we entered into the 2019 Aspire Purchase Agreement with Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have 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 2019 Aspire Purchase Agreement. Upon the satisfaction of certain commencement conditions set forth in the 2019 Aspire Purchase Agreement, the 2019 Aspire Purchase Agreement will replace the 2018 Aspire Purchase Agreement, which will terminate under the terms of the 2019 Aspire Purchase Agreement. In consideration for entering into the 2019 Aspire Purchase Agreement, upon commencement of the 2019 Aspire Purchase Agreement, we agreed to issue to Aspire Capital $0.9 million of shares of our common stock.

Under the 2019 Aspire Purchase Agreement, on any trading day over the 30-month term of such agreement, we have the right, in our sole discretion, to present Aspire Capital with a purchase notice (each, a "Purchase Notice") directing Aspire Capital to purchase up to 50,000 shares of our common stock per trading day, up to an aggregate of $30.0 million under the 2019 Aspire Purchase Agreement, at a per share price (the "Purchase Price") equal to the lesser of (i) the lowest sale price of our common stock on the purchase date or (ii) the arithmetic average of the three lowest closing sale prices for our common stock during the 10 consecutive trading days ending on the trading day immediately preceding the purchase date.

The aggregate purchase price payable by Aspire Capital on any one purchase date may not exceed $250,000, unless otherwise mutually agreed. The parties may mutually agree to increase the number of shares of our common stock that may be purchased per trading day pursuant to the terms of the 2019 Aspire Purchase Agreement to 3,000,000 shares.

In addition, on any trading day on which we submit a Purchase Notice to Aspire Capital to purchase at least 50,000 shares, we also have the right, in our sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a “VWAP Purchase Notice”) directing Aspire Capital to purchase an amount of our common stock equal to up to 30% of the aggregate shares of our common stock traded on the next trading day (the “VWAP Purchase Date”), subject to a maximum number of shares we may determine, and a minimum purchase price threshold equal to the greater of (i) 80% of the closing price of our common stock on the trading day immediately preceding the VWAP Purchase Date or (ii) a higher price that may be determined by us. The purchase price per share pursuant to such VWAP Purchase Notice will be equal to the lesser of (i) the closing sale price of our common stock on the VWAP Purchase Date, or (ii) 97% of the volume-weighted average price for our common stock traded on its principal market on the VWAP Purchase Date, subject to certain exceptions.

We may deliver multiple Purchase Notices and VWAP Purchase Notices to Aspire Capital from time to time during the term of the 2019 Aspire Purchase Agreement, so long as the most recent purchase has been completed.

In addition, Aspire Capital will not be required to buy any shares of our common stock pursuant to a Purchase Notice that is received by Aspire Capital on any trading day on which the last closing trade price of our common stock is below $0.25. There are no trading volume requirements or restrictions under the 2019 Aspire Purchase Agreement, and we will control the timing and amount of sales of our common stock to Aspire Capital. Aspire Capital has no right to require any sales by us, but is obligated to make purchases from us as directed by us in accordance with the 2019 Aspire Purchase Agreement. There are no limitations on use of proceeds, financial or business covenants, restrictions on future fundings, rights of first refusal, participation rights, penalties or liquidated damages in the 2019 Aspire Purchase Agreement. The 2019 Aspire Purchase Agreement may be terminated by us at any time, at our discretion, without any cost to us. Aspire Capital has agreed that neither it nor any of its agents, representatives and affiliates will engage in any direct or indirect short-selling or hedging our common stock during any time prior to the termination of the 2019 Aspire Purchase Agreement.

The 2019 Aspire Purchase Agreement provides that the total number of shares that may be issued pursuant to such agreement is limited to 8,140,373 shares (the “Exchange Cap”), or 19.99% of our shares of common stock outstanding as of the date of the 2019 Aspire Purchase Agreement, unless stockholder approval is obtained in accordance with the rules of the Nasdaq Stock Market. If stockholder approval is not obtained, such limitation will not apply after the Exchange Cap is reached if at all times thereafter the average purchase price paid for all shares issued under the 2019 Aspire Purchase Agreement is equal to or greater than $1.85 per share. The 2019 Aspire Purchase Agreement also provides that at no time will Aspire Capital (together with its affiliates) beneficially own more than 19.99% of our outstanding shares of common stock.

As of March 31, 2019, we have issued to Aspire Capital a total of 4,975,479 shares of our common stock under the 2018 Aspire Purchase Agreement, consisting of 4,761,905 shares purchased by Aspire Capital for an aggregate purchase price of $12.5 million, and 213,574 shares issued to Aspire Capital upon execution of the 2018 Aspire Purchase Agreement.

During the three months ended March 31, 2019, we issued a total of 1,666,667 shares of our common stock to Aspire Capital under the 2018 Aspire Purchase Agreement in exchange for approximately $2.5 million. We did not issue our common stock in private sales during the three months ended March 31, 2019, and we did not sell any shares of our common stock during the three months ended March 31, 2018. We did receive cash from stock option exercises.

Stock-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 March 31, 2019, and changes during the three months then ended:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2019	10,874,849	$ 4.36		
Granted	25,000	1.66		
Exercised	(2,250)	1.99		
Forfeited, cancelled or expired	(58,690)	3.61		
Outstanding at March 31, 2019	10,838,909	$ 4.35	7.3	$ 5
Options exercisable at March 31, 2019	10,621,159	$ 4.33	7.2	$ 5

The following table summarizes activity under our equity incentive plans related to the China Cash Bonuses as of March 31, 2019, and changes during the three months then ended:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2019	1,464,750	$ 5.60		
Granted	75,000	1.83		
Forfeited, cancelled or expired	(118,000)	5.71		
Outstanding at March 31, 2019	1,421,750	$ 5.39	8.8	$ 15
Bonuses exercisable at March 31, 2019	467,500	$ 5.21	8.3	$ —

During the three months ended March 31, 2019, we did not award restricted stock under our equity incentive plans.

We incurred share-based compensation expense of $0.3 million and $11.6 million, respectively, during the three months ended March 31, 2019 and 2018.

Net Loss per Share

For the three months ended March 31, 2019 and 2018, 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 months ended March 31, 2019 and 2018 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 3,312,754 shares of our common stock at an exercise price of $4.43 per share;
- the warrants issued in conjunction with our acquisition of Hotelmobi, Inc., which may be exercised to purchase 1,000,000 shares of our common stock, half at an exercise price of $8.00 per share and half at an exercise price of $12.00 per share.

NOTE 16. SEGMENT INFORMATION

We currently report on two segments: our Travel & Entertainment segment, which provides our customers with access to a full range of travel and entertainment services in Las Vegas and surrounding areas, and 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 segments. Adjusted EBITDA represents operating income (loss) plus depreciation and amortization expense, share-based compensation expense, impairments and net other income, less other loss. For our Travel & Entertainment segment, Adjusted EBITDA includes an allocation of rent expense, which allocation we base on usage of space. We do not allocate certain other types of shared expense, such as legal and accounting, to our reportable segments; such costs are included in Corporate Entity and Other.

The following table presents certain financial information regarding our business segments and other entities for the three months ended March 31, 2019 and 2018 (in thousands):

	Travel & Entertainment	Technology & Data Intelligence	Corporate Entity and Other	Consolidated
Three Months Ended March 31, 2019				
Revenue	$ 18,254	$ 425	$ 784	$ 19,463
Adjusted EBITDA	$ 2,179	$ (2,659)	$ (2,617)	$ (3,097)
Three Months Ended March 31, 2018				
Revenue	$ 14,898	$ 1,183	$ 643	$ 16,724
Adjusted EBITDA	$ 167	$ (1,518)	$ (5,552)	$ (6,903)

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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Adjusted EBITDA	$ (3,097)	$ (6,903)
Depreciation and amortization	(2,472)	(2,718)
Share-based compensation expense	(342)	(11,605)
Other income (expense)	41	(11)
Other loss	26	31
Operating loss	$ (5,844)	$ (21,206)
Other income (expense)		
Interest expense	(1,525)	(1,406)
Other income	(41)	11
Change in fair value of warrant liability	(1,416)	8,610
Other gain (loss)	(26)	(31)
Total other income, net	$ (3,008)	$ 7,184
Income (loss) before income taxes	$ (8,852)	$ (14,022)

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

	March 31, 2019	December 31, 2018
Travel & Entertainment segment	$ 74,906	$ 73,089
Technology & Data Intelligence segment	15,626	15,563
Corporate entity and other business units	8,972	5,156
Consolidated	$ 99,504	$ 93,808

Capital expenditures for our Travel & Entertainment segment totaled $0.2 million and $1.0 million during the three months ended March 31, 2019 and 2018, respectively, while capital expenditures for our Technology & Data Intelligence segment totaled $0.1 million and $0.4 million during each of the same periods, respectively.

NOTE 17. SUBSEQUENT EVENTS

Issuances Under 2018 Aspire Purchase Agreement

On April 4, 2019, we sold 1,653,560 shares of our common stock to Aspire Capital under the 2018 Aspire Purchase Agreement in exchange for $2.5 million.

Commencement of 2019 Aspire Purchase Agreement

On April 5, 2019, the conditions necessary for purchases under the 2019 Aspire Purchase Agreement to commence were satisfied and the 2018 Aspire Purchase Agreement was terminated under the terms of the 2019 Aspire Purchase Agreement. We issued 629,370 shares of our common stock to Aspire Capital upon commencement of the 2019 Aspire Purchase Agreement.

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 months ended March 31, 2019 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 primarily a technology-focused company, devoting a large and increasing portion of our resources towards growing our KanKan business, which we report as our Technology & Data Intelligence segment. The segment generates our data platform services revenue by developing and deploying artificial intelligence ("AI") products and AI-based solutions for businesses in many industries and geographies, as well as by providing financial technology ("FinTech") services. Though we currently focus our KanKan business on the Asia-Pacific region, we have initiated marketing activities in Europe and the United States and are launching several proof-of-concept projects.

We continue to develop AI-based vision products, computing devices and software-as-a-service products that we will be launching across a wide range of applications within the financial, retail, entertainment, education, and workplace and public-safety industries. We constantly improve our KanKan data and AI platform with advanced data, algorithms and training; our facial-recognition algorithms recently received top rankings in Labeled Faces in the Wild (hosted by the University of Massachusetts) and MegaFace (hosted by the University of Washington), two widely-recognized, global facial-recognition-testing platforms. Among 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.

We also own and operate Vegas.com, an online agency catering to the travel and entertainment needs of visitors to the Las Vegas area and those of Las Vegas locals. Our Travel & Entertainment segment generates transaction services revenue from sales of travel and entertainment products, such as show tickets and hotel rooms. On March 15, 2019, we entered into the VDC Purchase Agreement pursuant to which we agreed to sell to the Purchaser all of the issued and outstanding membership interests of Vegas.com, for an aggregate purchase price of $30 million. The VDC Transaction is subject to Stockholder Approval, and should we obtain Stockholder Approval and the VDC Transaction is completed in accordance with the terms of the VDC Purchase Agreement, our Technology & Data Intelligence segment will become the primary source of our revenue.

Various advertising mechanisms and other activity, such as online merchandise sales, also contribute to our consolidated revenue.

The following table presents our revenue categories as a percentage of total consolidated revenue during the three months ended March 31, 2019.

	Three Months Ended March 31,	
	2019	**2018**
Transaction services	89%	83%
Data platform services	2%	7%
Advertising and other	9%	10%

Our Travel & Entertainment segment continues to experience improvement in conversion rates related to entertainment bookings, as we continue to focus on expanding our presence on mobile devices and improving the user experience on our mobile online offerings. We will also continue making changes to our desktop experience such as those that led to our improved conversion rates.

We recognized revenue during the three months ended March 31, 2019 from creating and deploying several AI-based projects. We are currently passing proof-of-concept tests and beginning deployment and implementation on additional AI projects. We will continue to accelerate our development and deployment of products and services built upon our KanKan data and AI platform, and we expect our operating expenses to increase in line with such activity.

Matters Affecting Comparability of Results

We have changed how we present operating expense to better reflect the activities that generate such expense. As a result, the operating expense line items in our results of operations for the three months ended March 31, 2018 were reclassified to conform to the current presentation as of March 31, 2019.

CRITICAL ACCOUNTING POLICIES

During the three months ended March 31, 2019, we made no material changes to our critical accounting policies as we disclosed them in Part II, Item 7 of our 2018 Form 10-K.

RESULTS OF OPERATIONS

The following discussion summarizes our operating results for the three months ended March 31, 2019 compared to the three months ended March 31, 2018.

Reportable Segment Results

Travel & Entertainment

(dollars in thousands)	Three Months Ended March 31,		Change	
	2019	2018	Dollars	Percentage
Revenue	$ 18,254	$ 14,898	$ 3,356	23 %
Cost of revenue	2,776	2,765	11	— %
Sales and marketing	9,248	8,368	880	11 %
Technology and development	2,198	2,246	(48)	(2)%
General and administrative	1,629	1,299	330	25 %
Depreciation and amortization	2,147	2,127	20	1 %
Other operating expense	245	194	51	26 %

Revenue. We continue to experience increased conversion of traffic through our sales channels. The increased transactions, as well as a shift in product mix to higher-margin products, increased transaction services revenue during the three months ended March 31, 2019 by $3.6 million.

The increased revenue from transaction growth and the shift in product mix was partially offset by immaterial decreases in revenue from hotel, air and tour transactions due to a lower average value per transaction.

Sales and marketing. The increase in our sales and marketing expense in the Travel & Entertainment segment during the three months ended March 31, 2019 was driven primarily by an increase of $0.8 million in paid search marketing cost at Vegas.com. The increase resulted from the competitive nature of the paid search marketplace. The increase in conversion of traffic allowed Vegas.com to spend more in paid search to increase market share, which resulted in more transactions and increased revenue.

Technology & Data Intelligence

(dollars in thousands)	Three Months Ended March 31,		Change	
	2019	2018	Dollars	Percentage
Revenue	$ 425	$ 1,183	$ (758)	(64)%
Cost of revenue	1,293	1,193	100	8 %
Sales and marketing	326	183	143	78 %
Technology and development	1,226	695	531	76 %
General and administrative	452	346	106	31 %
Depreciation and amortization	170	156	14	9 %
Other operating expense	6	22	(16)	(73)%

Revenue. During the three months ended March 31, 2019, we generated revenue as a result of passing proof-of-concept tests on projects and beginning the deployment and implementation phases. Such projects deliver fully-integrated AI solutions which combine our proprietary technology with third-party hardware and software products to meet end-user specifications. In the prior-year period, the revenue almost exclusively resulted from providing loan candidates under then-existing FinTech contracts, a service we have since discontinued due to regulatory changes resulting from the industry-wide audit in China in 2018.

Technology and development. Our technology and development expense increased as a result of a $0.5 million increase in stock-based compensation expense. Such increase resulted from an increase in the amount of China Cash Bonuses outstanding and because the prior-year period included a reduction—one that mirrored the reduction in the price of our common stock during that period—in the liability associated with our China Cash Bonuses while the three months ended March 31, 2019 saw an increase in the same liability due to the increase in the price of our common stock during the period.

Consolidated Results

(dollars in thousands)	Three Months Ended March 31,		Change	
	2019	2018	Dollars	Percentage
Revenue	$ 19,463	$ 16,724	$ 2,739	16 %
Cost of revenue	4,369	4,032	337	8 %
Sales and marketing	10,107	9,351	756	8 %
Technology and development	3,502	3,049	453	15 %
General and administrative	4,606	18,564	(13,958)	(75)%
Depreciation and amortization	2,472	2,718	(246)	(9)%
Other operating expense	251	216	35	16 %
Interest expense	(1,525)	(1,406)	(119)	8 %
Other income (expense)	(41)	11	(52)	(473)%
Change in FV of warrant liability	(1,416)	8,610	(10,026)	(116)%
Other gain (loss)	(26)	(31)	5	(16)%
Provision for (benefit from) income taxes	—	(31)	31	(100)%

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

General and administrative. The decrease in general and administrative expense incurred by our non-reportable-segment businesses in the first three months of 2019 from the corresponding 2018 period was affected by the following:

- In January 2018, we immediately recognized $11.6 million of stock-based compensation expense related to a grant of an option to purchase 1.3 million shares of our common stock at an exercise price of $7.81 per share to our Chief Executive Officer. We did not make a similar grant in the current year.
- In March 2018, we abandoned certain leased property prior to the end of the lease contract. We were able to sublet the majority of the space to third parties, but the early abandonment led to our recognition of a liability that increased rent expense by $2.3 million during the three months ended March 31, 2018. No similar transactions occurred during the first quarter of the current year.

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 increase in our common stock price between December 31, 2018 and March 31, 2019 resulted in a corresponding increase in the fair value of our warrant liability. The increase in our common stock price was smaller in scale than the decrease in our common stock price between December 31, 2017 and March 31, 2018 and, as a result, we recognized a moderate loss in the current period rather than the large gain we recognized during the same period of 2018.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the three months ended March 31, 2019, and in each fiscal year since our inception, we have incurred net losses which have resulted in an accumulated deficit of $330.1 million as of March 31, 2019. Additionally, our operations have historically used more cash than they have provided. Net cash used in operating activities was $0.1 million during the three months ended March 31, 2019. As of March 31, 2019, our cash and cash equivalents balance was $16.5 million, and we had a negative working capital balance of $62.9 million.

We are a party to the Financing Agreement, pursuant to which the Lenders have extended credit to the Borrowers consisting of the Loan in the aggregate principal amount of $35.5 million. As of March 31, 2019, the Loan bore interest at three-month LIBOR (with a floor of 1%) plus 11% per annum, payable monthly, and had a maturity date of September 30, 2020. The material terms of the Financing Agreement, the amendments thereto, and related documents effective as of March 31, 2019 are described in Note 12 in the Notes to Unaudited Condensed Consolidated Financial Statements. As of March 31, 2019, $35.5 million of aggregate principal remained outstanding under the Loan, which bore an applicable interest rate of approximately 14% per annum. Our available cash and other liquid assets are not sufficient to pay our obligations under the Financing Agreement in full.

Pursuant to the Fourth Financing Amendment dated as of April 30, 2018, the Borrowers agreed to make a prepayment of $8.0 million principal amount outstanding and $3.5 million of exit fees under the Financing Agreement within 60 days following the date of the Fourth Financing Amendment. Pursuant to the Fifth Financing Amendment dated as of June 29, 2018, the Lenders agreed, among other things, to extend the due date of the prepayments and fees required by the Fourth Financing Amendment for up to three months, provided that we made extension payments on the first business day of each such month. The extension payments were $250,000 for each of the first two months and $500,000 for the third month, with the final extension period ending on September 28, 2018. We made the extension payments required by the Fifth Financing Amendment to extend the payment date to September 28, 2018; however, we did not make the payments required on such date, which constitutes an event of default under the Financing Agreement. As a result of the default, from September 28, 2018, the Loan bore interest at the interest rate described above.

The Financing Agreement also contains certain affirmative and negative covenants, including but not limited to financial covenants with respect to quarterly EBITDA levels and the value of our assets. As of March 31, 2019, we were not in compliance with the covenant under the Financing Agreement requiring minimum revenue from our KanKan business during the trailing twelve-month period ended March 31, 2019 of $30.0 million, as actual revenue from our KanKan business during such period was $7.3 million. We were also not in compliance with the covenants under the Financing Agreement requiring minimum revenue from our KanKan business during the year ended December 31, 2018 of $25.0 million and during the trailing nine-month period ended September 30, 2018 of $12.6 million. Our non-compliance with such covenants constitute events of default under the Financing Agreement.

On October 4, 2018, $2.25 million held in a cash collateral account to secure our obligations under the Financing Agreement (such amount reflected in Restricted cash in our consolidated balance sheet) was transferred to the Lenders and applied to the amount of exit fees due and payable under the Financing Agreement. The Financing Agreement requires us to maintain a balance in that account of at least $2.25 million and we have not replaced that amount transferred to Lenders, which constitutes an event of default under the Financing Agreement.

On October 16, 2018, in connection with our discussions with Lenders regarding a resolution of the events of default then existing under the Financing Agreement described herein, we agreed to increase the amount of the exit fees payable to the Lenders under the Financing Agreement by $1.0 million. In connection with our entry into the VDC Purchase Agreement, on March 15, 2019, MGG provided us with a letter in which MGG agreed it is willing to forbear from taking enforcement actions under the Financing Agreement and applicable law, effective on such date as we pay certain outstanding costs and expenses of the Lenders payable under the Financing Agreement, through up to June 4, 2019. Additionally, in connection with our entry into the VDC Purchase Agreement, we are in discussions with MGG regarding an amendment to the Financing Agreement, anticipated to be entered into at the closing of the VDC Transaction.

On September 24, 2015, concurrently with the closing of the VDC Acquisition, Vegas.com entered into a Letter of Credit Facility Agreement with Bank of America, N.A., which currently expires on May 31, 2019, providing for a letter of credit facility with up to $9.3 million of availability. On November 27, 2018, we amended the Letter of Credit Facility Agreement to increase the facility's availability to $11.0 million. Amounts available under the letter of credit facility are subject to customary fees and are secured by a first-priority lien on, and security interest in, a cash collateral account with the bank containing cash equal to 101.25% of the aggregate outstanding undrawn face amount of all letters of credit under the letter of credit facility outstanding.

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.

Pursuant to the terms of the purchase agreement we entered into in connection with the VDC Acquisition, we are obligated to make an Earnout Payment based upon the performance of Vegas.com in the year ended December 31, 2018. The $1.0 million Earnout Payment will be due in the second quarter of 2019.

On July 2, 2018, we entered into the 2018 Aspire Purchase Agreement with Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have 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 2018 Aspire Purchase Agreement. As of March 31, 2019, we have issued to Aspire Capital a total of 4,975,479 shares of our common stock under the 2018 Aspire Purchase Agreement, consisting of 4,761,905 shares purchased by Aspire Capital for an aggregate purchase price of $12.5 million, and 213,574 shares issued to Aspire Capital upon execution of the 2018 Aspire Purchase Agreement. On April 4, 2019, we sold an additional 1,653,560 shares of our common stock to Aspire Capital under the 2018 Aspire Purchase Agreement in exchange for $2.5 million.

On March 29, 2019, we entered into the 2019 Aspire Purchase Agreement with Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have 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 2019 Aspire Purchase Agreement. Upon the satisfaction of certain commencement conditions set forth in the 2019 Aspire Purchase Agreement, the 2019 Aspire Purchase Agreement replaced the 2018 Aspire Purchase Agreement, which terminated under the terms of the 2019 Aspire Purchase Agreement. On April 5, 2019, we issued 629,370 shares of our common stock to Aspire Capital upon commencement of the 2019 Aspire Purchase Agreement. Purchases under the 2019 Aspire Purchase Agreement, which is described in more detail in Note 15 in the Notes to Unaudited Condensed Consolidated Financial Statements, are made at prices calculated in accordance with the terms of the 2019 Aspire Purchase Agreement at the time of our submission to Aspire Capital of a purchase notice specifying such number of shares to be purchased, subject to maximum dollar and share amounts for sales on any one date unless the parties mutually agree otherwise. Additionally, the total number of shares that may be issued pursuant to the 2019 Aspire Purchase Agreement is limited to the Exchange Cap, unless stockholder approval is obtained in accordance with the rules of the Nasdaq Stock Market. If stockholder approval is not obtained, such limitation will not apply after the Exchange Cap is reached if at all times thereafter the average purchase price paid for all shares issued under the 2019 Aspire Purchase Agreement is equal to or greater than $1.85 per share.

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; however, we cannot provide assurance that revenue, income and cash flows generated from our businesses will be sufficient to sustain our operations in the long term (including but not limited to payment of the amounts required under the Financing Agreement). As a result, we are actively evaluating strategic alternatives including the potential sale of certain non-core assets, investment assets and operating businesses. However, we may need to obtain additional capital through equity financing or debt financing.

Conditions in the debt and equity markets, as well as the volatility of investor sentiment regarding macroeconomic and microeconomic conditions, will play primary roles in determining whether we can successfully obtain additional capital. Additionally, pursuant to the Financing Agreement, we are subject to certain limitations on our ability and the ability of our subsidiaries to, among other things, incur additional debt and transfer, sell or otherwise dispose of assets, without the consent of the Lenders. 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 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 following this report, (including repayment of our existing debt as it matures) with existing cash, cash equivalents and cash resources, and based on the probable success of one or more of the following plans:

- monetize existing assets

- work with our creditors to modify existing arrangements or refinance our debt
- obtain additional capital through equity issuances, including but not limited to under the 2019 Aspire Purchase Agreement (which issuances may dilute existing stockholders)

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 May 10, 2020.

Cash Flows - Operating Activities

During the three months ended March 31, 2019, we used $0.4 million more cash in operating activities than we did during the same period of the prior year. The increase in cash used in operating activities is a result of the timing of payments related to elements of working capital.

Cash Flows - Investing Activities

During the three months ended March 31, 2019, we spent $1.0 million less on property, equipment and software than in the same period of the prior year.

Cash Flows - Financing Activities

During the three months ended March 31, 2019, we received $2.5 million from sales of shares of our common stock, whereas we did not sell shares of our stock during the same period of 2018. The increase in sales of our common stock was partially offset by a decrease in exercises of outstanding options to purchase our common stock.

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, and (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, all of which we described in our 2018 Form 10-K, our disclosure controls and procedures were not effective at a reasonable assurance level as of March 31, 2019.

Changes in Internal Control over Financial Reporting

In our 2018 Form 10-K, we disclosed that management had determined that material weaknesses in our internal control over financial reporting (described above) existed. Due to the timing of the identification of the material weaknesses, we were not able to begin remediation during the fiscal quarter ended March 31, 2019; 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. As of the date of this report, we are implementing procedural changes that we believe will remediate the material weaknesses, and we will soon begin evaluating the remediation measures to determine their effectiveness in future periods.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 are seeking a declaration from the court that we are entitled to rescission of the CBG Purchase Agreement and all transactions related to the CBG Acquisition, a declaration that the CBG 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 are alleging that the defendants fraudulently mispresented and concealed material information regarding the companies we acquired in the CBG Acquisition.

The Plaintiffs, CBG, and the JOLs entered into a Stipulation for Settlement dated January 15, 2019, which sets forth the binding terms of their settlement agreement (the “Stipulation for Settlement”). Pursuant to the Stipulation for Settlement, we shall 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 five 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 five non-consecutive days in any consecutive thirty-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 as it is a material term that was not included in the Stipulation for Settlement, which we believe is binding and enforceable. We filed a motion to enforce the Stipulation for Settlement on March 12, 2019, and intend to vigorously protect our rights thereunder. The motion to dismiss filed by CBG and the JOLs remains pending before the Court. Mr. Roseman’s motion to dismiss was granted in part on March 27, 2019, with the Court granting the

Plaintiffs leave to file an amended complaint. We entered into a settlement agreement with Mr. Roseman on May 7, 2019 to settle all claims against Mr. Roseman and we intend to dismiss those claims.

ITEM 1A. RISK FACTORS

Not applicable

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

We did not make a required prepayment of $8.0 million principal amount and $3.5 million of exit fees that was due on September 28, 2018 under the Financing Agreement, and as of the date of this report, we have not paid any portion of that $8.0 million principal amount due. On October 4, 2018, $2.25 million held in a cash collateral account to secure our obligations under the Financing Agreement was transferred to Lenders and applied to the amount of exit fees due and payable under the Financing Agreement, such that $1.25 million of exit fees remain due. These and other matters described herein constitute events of default under the Financing Agreement for which we have not received a waiver as of the date of this report. As of the date of this report, $35.5 million of aggregate principal amount remained outstanding under the Loan.

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
2.1	Membership Interest Purchase Agreement, dated as of March 15, 2019, by and between VDC-MGG Holdings LLC and Remark Holdings, Inc.	8-K	03/19/19	2.1
4.1	Registration Rights Agreement, dated as of March 29, 2019, by and between Remark Holdings, Inc. and Aspire Capital Fund, LLC.	8-K	04/05/19	4.1
10.1	Common Stock Purchase Agreement, dated as of March 29, 2019, by and between Remark Holdings, Inc. and Aspire Capital Fund, LLC.	8-K	04/05/19	10.1
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: May 10, 2019	**By:** */s/ Alison Davidson*
	Alison Davidson
	Interim Chief Financial Officer
	(principal 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: May 10, 2019

By: */s/ Kai-Shing Tao*

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, Alison Davidson, (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: May 10, 2019

By *<u>/s/ Alison Davidson</u>*

Alison Davidson
Interim Chief Financial Officer

EXHIBIT 32

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

We, Kai-Shing Tao, the registrant's principal executive officer, and Alison Davidson, the registrant's principal financial officer and principal accounting officer, certify that, to our knowledge:

1. the accompanying Quarterly Report on Form 10-Q for the period ended March 31, 2019 (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: May 10, 2019

/s/ Kai-Shing Tao
Kai-Shing Tao
Chief Executive Officer and Chairman

/s/ Alison Davidson
Alison Davidson
Interim Chief Financial Officer