



TIX CORPORATION

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2014

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the information contained in our consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management's plans and objectives, and any statements concerning assumptions related to the foregoing contained in Management's Discussion and Analysis or Plan of Operation constitute forward-looking statements. Certain factors which may cause actual results to vary materially from these forward-looking statements accompany such statements or appears elsewhere in this Annual Report. Any references to "Tix" (which may be referred to as the "Company", "we", "us" or "our") means Tix Corporation and its subsidiary, as the context requires. You should read the following discussion of our financial condition and results of operations together with the consolidated financial statements and notes to the consolidated financial statements included elsewhere in this annual report.

Forward-Looking Statements

Forward-looking statements include, but are not limited to, statements about our financial position, business strategy, competitive position, potential growth opportunities, potential operating performance improvements, and the effects of competition, the effects of future legislation or regulations and plans and objectives of our management for future operations. We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. Use of the words "may," "should," "continue," "plan," "potential," "anticipate," "believe," "estimate," "expect," "intend," "outlook," "could," "project," "seek," "predict" or variations of such words and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those set forth herein under Risk Factors, as well as other factors described herein or in our annual, quarterly and other reports we filed with the OTCQX (collectively, "Cautionary Statements"). Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the applicable Cautionary Statements. We do not intend to update these forward-looking statements, except as required by applicable law.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements is in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The following narrative describes the critical accounting policies that affect the more significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Revenue Recognition and Presentation

The Company has several streams of revenue, each of which is required under Generally Accepted Accounting Principles ("GAAP") to be recognized in varying ways. The following is a summary of our revenue recognition policies:

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

The Company's Las Vegas discounted dinners business offers reservations for discounted dinners at various restaurants surrounding the Las Vegas Strip and downtown with dining at specific times on the same day or in some cases the day after the sale. The

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Company recognizes as revenue the transaction fees earned from the booking of dinner reservations at the time that the reservations are made and a subsequent nominal fee from the restaurant at the time the reservation is used. At this time, the Company has immaterial amounts of accounts receivable and does not have any accounts payable associated with the discounted dinner business, as the Company collects the transaction fee at the time that the reservation is made, and the dinner payment is collected directly by the restaurant.

Stock-Based Compensation

Our stock-based employee compensation plans are described in Note 10 of the Notes to our Consolidated Financial Statements. The Company periodically issues stock options and warrants to employees. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the ASC Topic 718 – *Stock Compensation* whereas the value of the award is measured on the date of grant and recognized over the vesting period.

The fair value of the Company's Common Stock option grant is estimated using the Black-Scholes option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the Common Stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model, and based on actual experience. The assumptions used in the Black-Scholes option pricing model could materially affect compensation expense recorded in future periods.

Impairment of Long-Lived Assets, Goodwill and Intangible Assets

We review long-lived assets whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable in accordance with the authoritative guidance provided by the ASC Topic 350 – *Goodwill and Other*. Our long-lived assets, such as property and equipment, are reviewed for impairment when events and circumstances indicate that depreciable or amortizable long lived assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. When specific assets are determined to be unrecoverable, the cost basis of the asset is reduced to reflect the current value.

We use various assumptions in determining the current fair value of these assets, including future expected cash flows and discount rates, as well as other fair value measurements. Our impairment loss calculations require us to apply judgment in estimating future cash flows, including forecasting useful lives of the assets and selecting the discount rate that reflects the risk inherent in future cash flows.

If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to future impairment losses that could be material to our results.

Valuation of Intangible Assets

The Company has acquired and continues to acquire significant intangible assets that Tix records at fair value. The authoritative guidance provided by the ASC Topic 350 – *Goodwill and Other* requires Tix to make assumptions regarding inputs into the discounted cash flow model about the timing and amount of future net cash flows, risk, cost of capital, terminal values and market participants. Each of these factors can significantly affect the value of the intangible asset. Tix's management reviews intangible assets for impairment annually using an undiscounted net cash flows approach. If the undiscounted cash flows of an intangible asset are less than the carrying value of an intangible asset, the intangible asset is written down to its fair value, which is usually the discounted cash flow amount. Where cash flows cannot be identified for an individual asset, the review is applied at the lowest group level for which cash flows are identifiable. Goodwill and intangible assets are reviewed for impairment annually or when an event that could result in an impairment of goodwill occurs. At December 31, 2014, goodwill and intangibles amounted to \$3.1 million and \$153,000, respectively, and amortization expense for intangible assets amounted to \$345,000 in 2014.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not

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permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 and has not determined the effect of the standard on our ongoing financial reporting.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (ASU 2014-08), *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)*. ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. The Company is currently evaluating the impact of adopting ASU 2014-08 on the Company's results of operations or financial condition.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15 (ASU 2014-15), *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company is currently evaluating the impact the adoption of ASU 2014-15 on the Company's financial statement presentation and disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

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Results of Operations

Consolidated Results of Operations

	Twelve Months Ended December 31,			%	%
	2014	2013	2012	change 2014 v 2013	change 2013 v 2012
Revenues	\$ 22,696,000	\$ 22,154,000	\$ 24,325,000	2%	-9%
Operating expenses:					
Direct operating expenses	9,441,000	9,365,000	10,383,000	1%	-10%
Selling, general and administrative expenses	7,943,000	9,790,000	10,773,000	-19%	-9%
Loss on disposition of property and equipment	-	171,000	-	-100%	100%
Depreciation and amortization	855,000	1,141,000	1,147,000	-25%	-1%
Total costs and expenses	18,239,000	20,467,000	22,303,000	-11%	-8%
Operating income	4,457,000	1,687,000	2,022,000	164%	-17%
Operating margin	20%	8%	8%		
Other expense, net	(209,000)	(108,000)	(74,000)	94%	46%
Income from continuing operations before income tax expense	4,248,000	1,579,000	1,948,000	169%	-19%
Income tax expense	100,000	5,000	29,000	1900%	-83%
Income from continuing operations	4,148,000	1,574,000	1,919,000	164%	-18%
Discontinued operations:					
Loss from operations of discontinued operations	-	-	(300,000)	-	-100%
Loss on sale of discontinued operations	-	-	(244,000)	-	-100%
Loss on discontinued operations	-	-	(544,000)	-	-100%
Net income	\$ 4,148,000	\$ 1,574,000	\$ 1,375,000	164%	14%

Revenues

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

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

Revenues were \$22.7 million and \$22.2 million for the years ended December 31, 2014 and 2013, respectively. The increase in revenues of \$542,000 is attributed to the increased locations in operation as compared to the prior year.

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Revenues were \$22.2 million and \$24.3 million for the years ended December 31, 2013 and 2012, respectively. The decline in revenues of \$2.2 million was caused by large scale construction and renovation projects on the Las Vegas Strip requiring us to close two of our discount ticket locations; one in April 2012 and another in February 2013. This decline in revenues was partially offset by the opening of two new discount ticket locations; one in July 2013 and another in August 2013.

Direct Operating Expenses

Direct operating expenses include payroll costs, rents, and utilities.

Direct operating expenses were \$9.4 million for both years ended December 31, 2014 and 2013. Direct operating expenses, as a percentage of revenues, were 42% for both years ended December 31, 2014 and 2013. The increase in direct operating expenses of \$76,000 was realized in connection with the changes in discount ticket locations during the period as discussed above.

Direct operating expenses were \$9.4 million and \$10.4 million for the years ended December 31, 2013 and 2012, respectively. Direct operating expenses, as a percentage of revenues, were 42% and 43% for the years ended December 31, 2013 and 2012, respectively. The decrease in direct operating expenses of \$1.0 million was due to \$298,000 in reduced rents and utilities expense and \$382,000 in decreased payroll costs realized in connection with the changes in discount ticket locations during the period as discussed above, and \$338,000 in reduced rents at one of our discount ticket locations that took effect on August 1, 2012.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include expenses that relate to activities directed by our executive offices including corporate personnel costs, insurance, litigation, legal and accounting fees, stock based compensation expense, consulting and advisory fees, regulatory compliance costs, board of directors' fees and corporate occupancy costs. In addition, selling, general and administrative expenses include merchant credit card processing fees, employee benefit expenses, advertising and miscellaneous other general operating expenses to support our ticketing services business.

Selling, general and administrative expenses for the years ended December 31, 2014 and 2013 were \$7.9 million and \$9.8 million, a decrease of \$1.8 million, or 19%. Included in these expenses were \$109,000 and \$1.7 million of aggregate expenses during the years ended December 31, 2014 and 2013, respectively, in each case relating to expenses for certain non-recurring matters requiring legal and advisory services relating to corporate and governance matters and litigation expenses. Excluding these expenses, selling, general and administrative expenses decreased \$220,000, or 3%, to \$7.8 million compared to \$8.1 million for the same period of the prior year. The decrease in expenses of \$220,000 was realized from a reduction in stock based compensation expense offset by increased compensation expense, increased fees associated with our senior secured promissory note and increased professional services fees. These increases were offset by a reduction in expenses over our remaining operating accounts.

Selling, general and administrative expenses for the years ended December 31, 2013 and 2012 were \$9.8 million and \$10.8 million, a decrease of \$1.0 million, or 9%. Included in these expenses were \$1.7 million and \$2.3 million of aggregate expenses during the years ended December 31, 2013 and 2012, respectively, in each case relating to expenses for certain non-recurring matters requiring legal and advisory services relating to corporate and governance matters and litigation expenses. Excluding these expenses, selling, general and administrative expenses decreased \$405,000, or 5%, to \$8.1 million compared to \$8.5 million for the same period of the prior year. The decrease in expenses of \$405,000 was realized in connection with the changes in discount ticket locations during the period as discussed above and our continual efforts to manage our overall expenses.

Loss on Disposition of Property and Equipment

The Company recorded an expense of \$171,000 on the disposition of property and equipment for the year ended December 31, 2013. No similar expense occurred during the current year.

Depreciation and Amortization

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 were \$855,000 and \$1.1 million, respectively. The decrease in depreciation and amortization expense was from property and equipment which became fully depreciated and intangible assets which became fully amortized during the same period of the prior year.

Depreciation and amortization expense for both years ended December 31, 2013 and 2012 were \$1.1 million.

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Other Expense, Net

Other expense, net for the years ended December 31, 2014 and 2013 were \$209,000 and \$108,000, respectively. The increase of \$101,000 was due primarily to increased interest expense of \$173,000 associated with our debt balances (See Note 5 and Note 6 to our Consolidated Financial Statements) offset by a reduction of \$69,000 in expense incurred during the same period of the prior year related to the increase in a reserve on the collection of an outstanding balance related to our sale of a subsidiary in 2010. No similar expense occurred during the current year.

Other expense, net for the years ended December 31, 2013 and 2012 were \$108,000 and \$74,000, respectively. Included in other expenses for the year ended December 31, 2013 was \$69,000 in expense related to the increase in a reserve on the collection of an outstanding balance related to our sale of a subsidiary in 2010. No similar expense occurred during the same period of the prior year. Also included in other expense was interest expense, net of interest income, of \$39,000 and \$74,000 during the years ended December 31, 2013 and 2012, respectively.

Income Tax Expense

Income tax expense for the years ended December 31, 2014 and 2013 were \$100,000 and \$5,000, respectively.

Income tax expense for the years ended December 31, 2013 and 2012 were \$5,000 and \$29,000, respectively.

Discontinued Operations

On July 13, 2012, we completed the sale of our previously owned exhibit merchandising division, Exhibit Merchandising, LLC. As such, we reclassified our consolidated statements of operations for the year ended December 31, 2012 to show the results of Exhibit Merchandising, LLC as discontinued operations.

Off-Balance Sheet Arrangements

As of December 31, 2014, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Liquidity and Capital Resources

Fiscal year ended December 31, 2014

At December 31, 2014, we had cash of \$4.9 million and total assets of \$9.3 million compared to \$3.2 million and \$8.1 million at December 31, 2013. Our working capital totaled a positive \$2.6 million at December 31, 2014, compared to a negative working capital of \$2.0 million at December 31, 2013. The increase in working capital was due to an improvement in cash flows from operating activities, as discussed below, and the full payment of a note payable (see Note 5 of our Consolidated Financial Statements).

Cash flows provided from operating activities were \$6.1 million for the year ended December 31, 2014. Cash flows from operating activities were derived from our net income of \$4.1 million and increased by net non-cash charges, which include interest, stock options, warrants, depreciation, and intangible assets amortization. Total non-cash charges were \$1.3 million. The net income plus the non-cash charges were offset by changes in working capital accounts of \$670,000, which included a decrease in our prepaid and other assets balance of \$123,000 and an increase in accounts payable and accrued expenses of \$542,000. The remaining change was due to small differences in several smaller working capital accounts.

Cash used in investing activities was \$542,000 for the year ended December 31, 2014 which was used to purchase property and equipment.

Cash used in financing activities was \$3.9 million for the year ended December 31, 2014, which includes \$4.0 million of proceeds received from the issuance of a senior secured note payable less full repayment of \$4.0 million (See Note 5 to our Consolidated Financial Statements), payment of \$3.7 million on our notes payable (See Note 6 to our Consolidated Financial Statements), \$90,000 advanced to certain officers and employees to purchase shares of the Company's Common Stock (see Note 7 to our

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Consolidated Financial Statements), and \$52,000 for the repurchase of treasury shares (see Note 9 to our Consolidated Financial Statements).

Fiscal year ended December 31, 2013

At December 31, 2013, we had cash of \$3.2 million and total assets of \$8.1 million compared to \$9.0 million and \$14.8 million at December 31, 2012. Our working capital totaled a negative \$2.0 million at December 31, 2013, compared to a positive working capital of \$5.7 million at December 31, 2012. The decrease in working capital was related primarily to the repurchase of Common Stock (see Note 6 of our Consolidated Financial Statements).

Cash flows provided from operating activities were \$2.2 million for the year ended December 31, 2013. Cash flows from operating activities were derived from our net income of \$1.6 million and increased by net non-cash charges, which include interest, stock options, warrants, depreciation, and intangible assets amortization. Total non-cash charges were \$2.3 million. The net income plus the non-cash charges were offset by changes in working capital accounts of \$1.6 million, which included a decrease in our prepaid and other assets balance of \$267,000 and a decrease in accounts payable and accrued expenses of \$1.7 million. The remaining change was due to small differences in several smaller working capital accounts.

Cash provided from investing activities was \$2.3 million for the year ended December 31, 2013. The Company invested in United States Treasury Securities for which maturities, less purchases, accounted for \$3.0 million. Purchases of property and equipment accounted for \$641,000.

Cash used in financing activities was \$7.4 million for the year ended December 31, 2013, which includes \$7.2 million, net of fees, to acquire treasury shares (See Note 9 to our Consolidated Financial Statements) and \$212,000 advanced to certain officers and employees to purchase shares of the Company's Common Stock (see Note 7 to our Consolidated Financial Statements).

Contractual Obligations and Commitments

At December 31, 2014, the Company did not have any material commitments for capital expenditures. The Company's principal commitments for the next five fiscal years consisted of contractual commitments as summarized below.

Payments due by Fiscal Years Ending December 31,						
	<u>Total</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019 and Beyond</u>
Operating lease obligations	\$ 9,241,000	\$ 3,001,000	\$ 2,416,000	\$ 1,516,000	\$ 1,400,000	\$ 908,000
Notes payable	800,000	200,000	200,000	200,000	200,000	-
Obligation for share purchases	<u>159,000</u>	<u>81,000</u>	<u>78,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total contractual cash obligations	<u>\$ 10,200,000</u>	<u>\$ 3,282,000</u>	<u>\$ 2,694,000</u>	<u>\$ 1,716,000</u>	<u>\$ 1,600,000</u>	<u>\$ 908,000</u>

Operating Lease Obligations

The Company leases office space for its corporate headquarters in Studio City, California. Tix4Tonight leases space for its multiple ticket facilities and its administrative offices in Las Vegas, Nevada.

Many of the Company's operating leases contain predetermined fixed increases in the minimum rental rate during the initial lease term and/or rent holiday periods. For these leases, the Company recognizes the related rent expense on a straight-line basis beginning on the effective date of the lease.

Notes Payable

On February 10, 2011, the Company entered into and concurrently closed on an Asset Purchase Agreement with VegasTix4Less (see Note 6 to our Consolidated Financial Statements). Pursuant to the Asset Purchase Agreement, the Company paid

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VegasTix4Less \$2.0 million in cash and issued a \$2.0 million non-interest bearing secured promissory note. The secured promissory note is secured by the assets acquired from VegasTix4Less. As this obligation carries no interest, the Company imputed an average interest rate of 5.00% resulting in a discount of \$200,000, which is being amortized on an effective interest rate basis over the eight year term of the note. As of December 31, 2014, \$800,000 was outstanding under the note payable, of which \$200,000 is due per year starting in fiscal year 2015 and concluding in fiscal year 2018. As of December 31, 2014 and 2013, the unamortized discount for the note payable was \$72,000 and \$96,000, resulting in a net obligation due of \$728,000 and \$904,000, of which \$176,000 and \$176,000 was reflected as part of current liabilities on the accompanying consolidated balance sheets, respectively.

Obligation for Shares Purchases

In fiscal year 2011, certain officers, excluding the Company's Chairman and Chief Executive Officer, and employees of the Company (the "Purchasers") agreed to purchase an aggregate of 942,590 shares of the Company's Common Stock from existing stockholders at \$2.00 per share or an aggregate of purchase price \$1,885,180.

The selling stockholders agreed to defer the payment of their respective purchase prices in several installments over a five year period. All of the shares subject to each such purchase agreement will be held in escrow until the payment of the final installment to the seller under each such purchase agreement, at which time the shares will be released to the Purchasers. If the Purchaser fails to make an installment payment when due, the Company is obligated to make the installment payment and all future installment payments when due under their respective purchase agreement. If the Purchaser so defaults, the Company will be entitled to acquire all of the shares for which installment payments under the relevant purchase agreement have already been made and all shares for which it makes future installment payments, subject in each case to the continuing rights of the seller under the relevant purchase agreement and subject to the terms of the related escrow agreement. If, following such a default by the Purchaser, the Company fails to make any such installment payment when due, the shares representing the unpaid portion of the purchase price will be released from escrow and returned to the relevant seller and the remaining shares in escrow will be released to the Company. Each Purchaser has obtained a proxy from their respective sellers to vote all of the shares of Common Stock subject to their respective purchase agreement. The Company agreed to loan to the Purchasers an amount in cash sufficient to enable such Purchasers to pay the purchase price installment payments when due to the respective sellers under their respective purchase agreements. The Company also has an option to purchase from each Purchaser only those shares of Common Stock for which installment payments have already been made by such Purchaser under the respective purchase agreements for an exercise price ranging from \$2.25 to \$3.25 per share. In the event that the Company exercises the option, the shares of Common Stock subject to such option exercise will continue to remain subject to the continuing rights of the seller under the relevant purchase agreement and subject to the terms of the related escrow agreement. As of December 31, 2014, \$159,000 was outstanding under the Company's share purchase obligation to the Purchasers of which, \$81,000 was reflected as part of current liabilities and \$78,000 as non-current liability on the accompanying consolidated balance sheets.

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Risk Factors

Investing in our securities involves a significant degree of risk. We are subject to various risks, some of which are described below, that may materially affect our business, financial condition, results of operations or cash flows. An investor should carefully consider the risks and uncertainties described below and the other information in this annual report and other filings or press releases of the Company before deciding to purchase or sell the Company's Common Stock. Additional risks and uncertainties may also materially and adversely affect our business, financial condition, results of operations or cash flows. If any of these risks or uncertainties actually occurs, our business, financial condition, operating results or cash flows could be materially harmed. In that case, the trading price of the Common Stock could decline and an investor could lose all or part of his or her investment.

WE MAY BE ADVERSELY AFFECTED BY AN ECONOMIC DOWNTURN, WHICH COULD AFFECT CONSUMER AND CORPORATE SPENDING, AND THEREFORE SIGNIFICANTLY ADVERSELY IMPACT OUR OPERATING RESULTS.

The prolonged economic downturn over the past few years and adverse conditions in the local, regional, national and global markets have negatively affected our operations, and may continue to negatively affect our operations in the future. Our business depends on discretionary consumer and corporate spending. Economic contraction, economic uncertainty or the perception by our customers of weak or weakening economic conditions may result in reductions in ticket sales and our ability to generate revenue. The risks associated with our businesses become more acute in periods of economic contraction, which may be accompanied by a decrease in our ticket sales. There is evidence that this has, and continues to, affect demand for our services, and a continued decline in economic activity could adversely affect demand thus reducing our revenue and earnings. A sustained decline in economic conditions could result in a further decline in attendance at or reduction in the number of live entertainment events, which would have an adverse effect on our revenue and operating income.

In addition, many factors related to discretionary consumer spending and corporate spending, including economic conditions affecting disposable consumer income such as employment, fuel prices, interest rates, tax rates, inflation, fears of war and future acts of terrorism can significantly impact our operating results.

BECAUSE OUR BUSINESS OF SELLING DISCOUNT SHOW AND DISCOUNT DINNER RESERVATIONS IS CONCENTRATED IN LAS VEGAS, WE ARE SUBJECT TO GREATER RISKS THAN A COMPANY THAT IS MORE GEOGRAPHICALLY DIVERSIFIED.

Our wholly-owned subsidiary, Tix4Tonight, offers for sale discount tickets to Las Vegas shows and discounted dinners reservations at various restaurants surrounding the Las Vegas Strip and downtown. Given that our ticket sales and dinner reservations are concentrated only in the Las Vegas area, our business may be significantly affected by risks common to the Las Vegas tourism industry. For example, the cost and availability of air services and the impact of any events that disrupt air travel to and from Las Vegas can adversely affect our business. We cannot control the number or frequency of flights to or from Las Vegas, but we rely on air traffic to deliver a significant portion of our customers. Reductions in flights by major airlines as a result of higher fuel prices or lower demand can impact the number of customers purchasing tickets to Las Vegas shows and dinner reservations at Las Vegas restaurants. Additionally, there is one principal interstate highway between Las Vegas and Southern California, where a large number of our customers reside. Capacity constraints of that highway or any other traffic disruptions may also affect the number of visitors to Las Vegas and therefore the customers who purchase tickets or dinner reservations. In addition, the growth of gaming in areas outside Las Vegas may result in a decrease of customer visits to Las Vegas and, in turn, a decrease in ticket sales.

WE HAVE REVENUE CONCENTRATION THAT MAY IMPACT OUR FUTURE REVENUE GROWTH OR OTHERWISE AFFECT PROFITABILITY OF OUR BUSINESS

Revenues are derived from the sale of discount show tickets and discount dinner reservations. Two hotel conglomerates, Caesars Entertainment Corporation and MGM Resorts International, own more than eighteen major hotels in the Las Vegas marketplace housing multiple theatres, restaurants and other types of venues. We generate approximately 70% of our revenues from the sale of discount show tickets and discount dinner reservations from Caesars Entertainment Corporation and MGM Resorts International. No single show, venue or theatre accounted for more than 10% of revenues. If our existing relationships with Caesars Entertainment Corporation or MGM Resorts International materially deteriorate or are terminated and we are not successful in replacing lost business, our financial position, results of operations and cash flows could be materially and adversely affected.

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THERE IS A LIMITED PUBLIC MARKET FOR OUR COMMON STOCK AND THE COMPANY'S STOCKHOLDERS MAY BE UNABLE TO LIQUIDATE THEIR SHARES OR COULD BE SUBJECT TO EXTREME VOLATILITY.

Our Common Stock is listed on the OTCQX marketplace and is quoted under the symbol "TIXC." There is currently a limited public market for our stock, thus providing limited liquidity into the market for the Company's shares, and there can be no assurance that an active trading market will develop or, if one does develop, that it will be maintained. As a result of the foregoing, stockholders may be unable to liquidate their shares or if a large volume of stock is being sold into the market at any one time, the price of our stock could rapidly decline.

LOSS OF OUR KEY MANAGEMENT COULD NEGATIVELY IMPACT OUR BUSINESS.

The entertainment industry is uniquely dependent upon personal relationships. As executives within the entertainment industry, we leverage our existing network of relationships with producers, promoters, and venue managers in order to secure the rights to distribute tickets and secure the other resources that are critical to our success. Due to the importance of those industry contacts to our business, the loss of any of our officers, including Mitch Francis, our President and Chief Executive Officer, could adversely affect our operations. The death or disability of Mr. Francis or other extended or permanent loss of his services, or any negative market or industry perception with respect to him or arising from his loss, could have a material adverse effect on our business. Our other officers also have substantial experience and expertise in our business and the unexpected loss of services of one or more of these individuals could also adversely affect us. We have entered into employment agreements with our officers to protect our interests in those relationships, but we can give no assurance that all or any of our officers will remain with us or will retain their associations with key contacts.

OUR OPERATIONS ARE SUBJECT TO INTENSE COMPETITION AND COMPETITIVE PRESSURES THAT COULD ADVERSELY AFFECT THE COMPANY'S BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Tix4Tonight sells unsold tickets on the same day of the performance, generally at 25% to 50% off the box office price. Producers provide such tickets to the Company both on an exclusive and non-exclusive basis. Therefore, new ticket brokers can enter into competition with the Company to offer the same or similar ticketing services to non-exclusive shows and customers. Tix4Tonight faces competition from venues and producers selling discount tickets direct to customers, from online discount ticket sellers and the possibility exists for other competitors to compete both in Las Vegas and in other markets targeted by the Company. Other competitors may possess longer operating histories, larger customer bases, longer relationships with producers, and significantly greater financial, technical, marketing, and public relations resources than the Company. Accordingly, we may not be able to compete successfully and competitive pressures may adversely affect our business, results of operations and financial condition. We believe that barriers to entry into the business segments that we compete in are low and that certain local ticket brokers, promoters and producers are increasingly expanding the geographic scope of their operations.

THE SUCCESS OF OUR BUSINESS DEPENDS IN PART ON THE INTEGRITY OF OUR SYSTEMS AND INFRASTRUCTURE. SYSTEM INTERRUPTION AND LACK OF INTEGRATION AND REDUNDANCY IN THESE SYSTEMS AND INFRASTRUCTURE MAY HAVE AN ADVERSE IMPACT ON OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The success of our business depends in part on our ability to maintain the integrity of our system and infrastructure, including websites, information and related systems, and distribution facilities. System interruption and the lack of integration and redundancy in the information systems and infrastructures of our ticketing operations may adversely affect our ability to process and fulfill transactions, respond to customer inquiries and generally maintain cost-efficient operations. We may experience occasional system interruptions that make some or all systems or data unavailable, or prevent us from efficiently providing services or fulfilling orders. We also rely on affiliate and third-party computer systems, broadband and other communications systems and service providers in connection with the provision of services generally, as well as to facilitate, process and fulfill transactions. Any interruptions, outages or delays in the systems and infrastructures of our business, our affiliates and/or third parties, or deterioration in the performance of these systems and infrastructures, could impair the ability of our business to provide services, fulfill orders and/or process transactions. Fire, flood, power loss, telecommunications failure, acts of war or terrorism, acts of God and similar events, or disruptions may damage or interrupt computer, broadband or other communications systems and infrastructures at any time. Any of these events could cause system interruption, delays and loss of critical data, and could prevent us from providing services, fulfilling orders and/or processing transactions. While we have backup systems for certain aspects of our operations, these systems are not fully redundant and disaster recovery planning is not sufficient for all eventualities. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption. If any of these adverse events were to occur, it could adversely affect our business, financial condition and results of operations.

TIX CORPORATION 2014 ANNUAL REPORT

THE PROCESSING, STORAGE, USE, AND DISCLOSURE OF PERSONAL DATA COULD GIVE RISE TO LIABILITIES AS A RESULT OF GOVERNMENTAL REGULATION, CONFLICTING LEGAL REQUIREMENTS OR DIFFERING VIEWS OF PERSONAL PRIVACY.

In the processing of consumer transactions, we receive, transmit and store a large volume of personally identifiable information and other user data. The sharing, use, disclosure and protection of this information are governed by the respective privacy and data security policies maintained by our business. Moreover, there are federal, state and international laws regarding privacy and the storing, sharing, use, disclosure and protection of personally identifiable information and user data. Specifically, personally identifiable information is increasingly subject to legislation and regulations in numerous jurisdictions around the world, the intent of which is to protect the privacy of personal information that is collected, processed and transmitted in or from the governing jurisdiction. We could be adversely affected if legislation or regulations are expanded to require changes in business practices or privacy policies, or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, financial condition and results of operations.

The failure by us and/or the various third-party vendors and service providers with which we do business, to comply with applicable privacy policies or federal, state or similar international laws and regulations, or any compromise of security that results in the unauthorized release of personally identifiable information or other user data could damage the reputation of our business, discourage potential users from trying the products and services that we offer, and/or result in fines and/or proceedings by governmental agencies and/or consumers, one or all of which could adversely affect our business, financial condition and results of operations.

OUR EXISTING DIRECTORS, EXECUTIVE OFFICERS AND PRINCIPAL STOCKHOLDERS HOLD A SUBSTANTIAL AMOUNT OF THE COMPANY'S COMMON STOCK AND MAY BE ABLE TO PREVENT OTHER STOCKHOLDERS FROM INFLUENCING SIGNIFICANT CORPORATE DECISIONS.

Based on information known to us as of March 1, 2015, our directors and executive officers and principal stockholders beneficially owned or have the right to vote approximately 75.5% of our outstanding Common Stock. Approximately 18.5% of our Common Stock is beneficially owned by Mitch Francis, our President and Chief Executive Officer, approximately 5.7% of our Common Stock is beneficially owned by our other officers and directors (other than Mr. Francis), approximately 17.2% of our Common Stock is beneficially owned by Bandera Master Fund LP, approximately 18.7% of our Common Stock is beneficially owned by Boston Avenue Capital LLC and approximately 15.4% of our Common Stock is beneficially owned by a private group of individual investors. These stockholders will be able to individually influence, or if acting in a similar manner, direct the outcome of matters, including the election of our directors and other corporate actions, such as a merger with or into another company, a sale of substantially all of the Company's assets, and amendments to the Company's Certificate of Incorporation. The decisions of these stockholders may conflict with the Company's interests or the interests of the Company's other stockholders.

OUR BY-LAWS AND CERTIFICATE OF INCORPORATION CONTAIN PROVISIONS THAT MAY DISCOURAGE OR PREVENT A TAKEOVER OF OUR COMPANY.

Provisions contained in the Company's by-laws, such as provisions requiring advance notice relating to certain stockholder business and Board of Directors nominees to be considered at stockholder meetings and provisions not permitting stockholders to call special meetings of stockholders, as well as provisions of the Delaware General Corporation Law, could delay or make it more difficult to remove incumbent directors or for a third party to acquire us. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our directors.

ANTI-TAKEOVER EFFECTS OF OUR RIGHTS AGREEMENT MAY DELAY OR PREVENT A CHANGE OF CONTROL AND MAY ALSO MAKE A MERGER OR ACQUISITION OF THE COMPANY LESS DESIRABLE.

The Board of Directors has adopted a Rights Agreement as of April 1, 2011, as amended and restated on January 2, 2014, commonly known as a poison pill, which may delay or prevent a change of control and may also make a merger or acquisition of the Company less desirable. The Rights Agreement is generally triggered when an "Acquiring Person" (as defined by the Rights Agreement) acquires beneficial ownership of 4.95% or more of the Common Stock, with certain limited exceptions. Persons or groups who held 4.95% or more of the Common Stock as of January 2, 2014 are grandfathered under the Rights Agreement, meaning that they are not deemed to be Acquiring Persons unless and until they become the beneficial owner of any additional shares of Common Stock or they are grouped together with other stockholders for purposes of triggering the rights. The preceding description of the Amended and Restated Rights Agreement is qualified in its entirety by reference to the terms of the Amended and Restated Rights Agreement, a copy of which is available at http://www.irdirect.net/TIXC/corporate_document/71.

TIX CORPORATION
2014 ANNUAL REPORT

IF ECONOMIC CONDITIONS WORSEN CAUSING REDUCED EARNINGS, WE MAY INCUR GOODWILL AND INTANGIBLE ASSET IMPAIRMENTS THAT COULD NEGATIVELY AFFECT OUR FUTURE PROFITS.

As of December 31, 2014, we have remaining goodwill and intangible assets related to our acquisitions of \$3.3 million. In accordance with the authoritative guidance for goodwill and other intangible assets, we test our goodwill and intangible assets for impairment annually or if a triggering event occurs or when an event that could result in an impairment of goodwill occurs. Factors we consider important that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of the use of our assets or the strategy for our overall business, and significant negative industry or economic trends. If current economic conditions worsen causing decreased revenues and increased costs, we may have to recognize goodwill and intangible asset impairments, which could have a material adverse impact on our results of operations.

CERTAIN STOCK OWNERSHIP CHANGES COULD LIMIT THE FUTURE AVAILABILITY TO US OF ACCUMULATED NET OPERATING LOSS CARRY FORWARDS

At December 31, 2014, the Company estimates it had federal net operating loss carry forwards ("NOLs") of approximately \$37.6 million, which are subject to certain limitations, which begin expiring in 2019 in varying amounts through 2034. NOLs may be carried forward to offset taxable income in future years and eliminate income taxes otherwise payable on such taxable income, subject to certain adjustments. Based on current corporate income tax rates, our NOLs could provide a benefit to us, if fully utilized, of significant future tax savings. However, the Company's ability to use the federal NOLs would be substantially limited if there were an "ownership change" as defined under Section 382 of the U.S. Internal Revenue Code and related U.S. Treasury regulations. In general, an ownership change would occur if the Company's "5-percent shareholders," as defined under Section 382, collectively increase their ownership in the Company by more than 50 percentage points over a rolling three-year period. As discussed in the Company's press release, dated January 2, 2014, the Board of Directors has adopted an amendment of the Company's Rights Agreement that is intended to reduce the likelihood that changes in the Company's stockholder base have the unintended effect of limiting the Company's use of its NOLs. The Rights Agreement is generally triggered when an "Acquiring Person" (as defined by the Rights Agreement) acquires beneficial ownership of 4.95% or more of the Common Stock, with certain limited exceptions. Persons or groups who held 4.95% or more of the Common Stock as of January 2, 2014 are grandfathered under the Rights Agreement, meaning that they are not deemed to be Acquiring Persons unless and until they become the beneficial owner of any additional shares of Common Stock or they are grouped together with other stockholders for purposes of triggering the rights. This would protect the NOLs because changes in ownership by a person owning less than 4.95% of the Company's stock are not included in the calculation of "ownership change" for purposes of Section 382 of the Code. However, there can be no assurance that the Rights Agreement would be effective under all circumstances.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Tix Corporation
Studio City, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tix Corporation and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tix Corporation and subsidiary as of December 31, 2014 and 2013, and the results of their consolidated operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Weinberg & Company, P.A.
Los Angeles, California
March 31, 2015

**TIX CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Assets		
Current assets:		
Cash	\$ 4,866,000	\$ 3,176,000
Accounts receivable	54,000	63,000
Prepaid expenses and other current assets	148,000	268,000
Total current assets	<u>5,068,000</u>	<u>3,507,000</u>
Property and equipment, net	<u>918,000</u>	<u>884,000</u>
Other assets:		
Intangible assets:		
Goodwill	3,120,000	3,120,000
Intangibles, net	153,000	498,000
Total intangible assets	3,273,000	3,618,000
Deposits and other assets	68,000	71,000
Total other assets	<u>3,341,000</u>	<u>3,689,000</u>
Total assets	<u>\$ 9,327,000</u>	<u>\$ 8,080,000</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable – shows and events	\$ 938,000	\$ 693,000
Accounts payable and accrued expenses	1,236,000	939,000
Deferred revenue	25,000	29,000
Notes payable – short term and net of discount	176,000	3,726,000
Obligation for share purchases – short term	81,000	84,000
Total current liabilities	<u>2,456,000</u>	<u>5,471,000</u>
Deferred rent obligations	133,000	133,000
Note payable – net of current portion and discount	552,000	728,000
Obligation for share purchases – net of current portion	78,000	160,000
Total liabilities	<u>3,219,000</u>	<u>6,492,000</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 500,000 shares authorized; none issued		
Common Stock, \$.08 par value; 100,000,000 shares authorized; 17,864,744 shares net of 15,451,803 treasury shares, and 18,218,572 shares net of 15,406,803 treasury shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively	2,666,000	2,691,000
Additional paid-in capital	93,865,000	93,356,000
Obligation for share purchases	(2,148,000)	(2,088,000)
Cost of shares held in treasury	(25,465,000)	(25,413,000)
Accumulated deficit	(62,810,000)	(66,958,000)
Total stockholders' equity	<u>6,108,000</u>	<u>1,588,000</u>
Total liabilities and stockholders' equity	<u>\$ 9,327,000</u>	<u>\$ 8,080,000</u>

See accompanying notes to the consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Years Ended December 31,	
	2014	2013
Revenues	\$ 22,696,000	\$ 22,154,000
Operating expenses:		
Direct costs of revenues	9,441,000	9,365,000
Selling, general and administrative expenses	7,943,000	9,790,000
Loss on disposition of property and equipment	-	171,000
Depreciation and amortization	855,000	1,141,000
Total costs and expenses	18,239,000	20,467,000
Operating income	4,457,000	1,687,000
Other expense:		
Other income (expense)	3,000	(69,000)
Interest income	1,000	16,000
Interest expense	(213,000)	(55,000)
Other expense, net	(209,000)	(108,000)
Income before income tax expense	4,248,000	1,579,000
Income tax expense	100,000	5,000
Net income	\$ 4,148,000	\$ 1,574,000
Unrealized gain on available-for-sale securities	-	16,000
Comprehensive income	\$ 4,148,000	\$ 1,590,000
Net income per common share		
Net income per common share – basic	\$ 0.23	\$ 0.07
Net income per common share – basic and diluted	\$ 0.23	\$ 0.07
Weighted average common shares outstanding – basic	18,194,770	23,565,286
Weighted average common shares outstanding – diluted	18,347,168	23,641,083

See accompanying notes to the consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2014 AND 2013

	Common Stock		Additional	Obligation	Accumulated	Treasury	Other	Total
	Shares	Amount	Paid In	For	Deficit	Stock	Comprehensive	Stockholders'
			Capital	Share			Loss	Equity
				Purchases				
Balance, December 31, 2012	23,669,831	\$ 2,691,000	\$ 92,366,000	\$ (2,032,000)	\$ (68,532,000)	\$ (14,654,000)	(16,000)	\$ 9,823,000
Fair value of options and warrants issued to employees and directors	-	-	937,000	-	-	-	-	937,000
Cost of treasury shares	(5,451,259)	-	-	-	-	(10,759,000)	-	(10,759,000)
Obligation for share purchases	-	-	53,000	(56,000)	-	-	-	(3,000)
Unrealized loss on available-for-sale securities arising during the period	-	-	-	-	-	-	16,000	16,000
Net income	-	-	-	-	1,574,000	-	-	1,574,000
Balance, December 31, 2013	18,218,572	2,691,000	93,356,000	(2,088,000)	(66,958,000)	(25,413,000)	-	1,588,000
Fair value of options and warrants issued to employees and directors	-	-	429,000	-	-	-	-	429,000
Shares issued on cashless exercise of stock options	1,172	-	-	-	-	-	-	-
Cost of treasury shares	(45,000)	-	-	-	-	(52,000)	-	(52,000)
Obligation for share purchases	-	-	55,000	(60,000)	-	-	-	(5,000)
Adjustment to shares outstanding	(310,000)	(25,000)	25,000	-	-	-	-	-
Net income	-	-	-	-	4,148,000	-	-	4,148,000
Balance, December 31, 2014	<u>17,864,744</u>	<u>\$ 2,666,000</u>	<u>\$ 93,865,000</u>	<u>\$ (2,148,000)</u>	<u>\$ (62,810,000)</u>	<u>\$ (25,465,000)</u>	<u>\$ -</u>	<u>\$ 6,108,000</u>

See accompanying notes to the consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2014	2013
Cash flows from operating activities:		
Net income	\$ 4,148,000	\$ 1,574,000
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	510,000	633,000
Non-cash interest	17,000	32,000
Realized loss on sale of short-term investments	-	24,000
Amortization of intangible assets	345,000	508,000
Loss on disposition of property and equipment	-	171,000
Fair value of options and warrants issued to employees and directors	429,000	937,000
(Increase) decrease in:		
Accounts receivable	9,000	(18,000)
Prepaid expenses and other assets	123,000	267,000
Increase (decrease) in:		
Accounts payable – shows and events	245,000	(1,742,000)
Accounts payable and accrued expenses	297,000	2,000
Deferred revenue	(4,000)	(122,000)
Deferred rent obligation	-	(23,000)
Net cash provided by operating activities	<u>6,119,000</u>	<u>2,243,000</u>
Cash flows from investing activities:		
Purchases of property and equipment	(544,000)	(641,000)
Purchases of short-term investments	-	(1,199,000)
Maturity of short-term investments	-	4,184,000
Net cash provided by (used in) investing activities	<u>(544,000)</u>	<u>2,344,000</u>
Cash flows from financing activities:		
Proceeds received from issuance of senior secured note payable	4,000,000	-
Payment of senior secured note payable	(4,000,000)	-
Payment of notes payable	(3,743,000)	-
Cost of treasury shares, net of fees	(52,000)	(7,216,000)
Obligation for share purchases	(90,000)	(212,000)
Net cash used in financing activities	(3,885,000)	(7,428,000)
Net increase (decrease)	1,690,000	(2,841,000)
Balance at beginning of period	<u>3,176,000</u>	<u>6,017,000</u>
Balance at end of period	<u>\$ 4,866,000</u>	<u>\$ 3,176,000</u>
Supplemental disclosures of cash flow information:		
Cash paid for:		
Income taxes	\$ <u>1,000</u>	\$ <u>80,000</u>
Interest	\$ <u>187,000</u>	\$ <u>-</u>
Non-cash investing activities:		
Unrealized gain on available-for-sale securities	\$ <u>-</u>	\$ <u>16,000</u>
Non-cash financing activities:		
Issuance of note payable related to stock purchase agreement	\$ <u>-</u>	\$ <u>3,543,000</u>

See accompanying notes to the consolidated financial statements.

TIX CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

1. Organization and Basis of Presentation

Tix Corporation (the “Company”) was incorporated in Delaware on April 6, 1993 under the name Cinema Ride, Inc. The Company changed its name from Cinema Ride, Inc. to Tix Corporation effective March 3, 2005. The Company is an entertainment company providing discount ticketing and discount dinner reservations through our subsidiary Tix4Tonight, LLC (“Tix4Tonight”).

Our wholly-owned subsidiary, Tix4Tonight, offers for sale discount show and discount dinner reservations. When selling last minute discounted tickets, Tix4Tonight sells them under short-term, exclusive and nonexclusive agreements with nearly every Las Vegas show and numerous attractions and tours running at any one time. Tix4Tonight typically does not know exactly what shows it will be able to offer tickets for until the same day of the show. There are usually many more tickets available each day than are sold, although it is not uncommon for Tix4Tonight to sell out its supply of tickets for individual shows. The shows are paid on a weekly basis only for the tickets that Tix4Tonight actually sells to customers. Tix4Tonight has no financial risk with respect to unsold tickets and revenues are recorded at net of cost, that is, we record only the commissions and service fees as revenues.

Because of the seasonal nature of tourism and convention attendance in Las Vegas, attendance patterns at Las Vegas shows may vary accordingly. The nature and degree of this seasonality varies among Las Vegas shows depending on the time of year, as well as the nature of entertainment alternatives available to audiences. Tix4Tonight’s revenues are more dependent on the type of shows being offered for sale than seasonality.

2. Summary of Significant Accounting Policies

Revenue Recognition

The Company has several streams of revenue, each of which is required under Generally Accepted Accounting Principles (“GAAP”) to be recognized in varying ways. The following is a summary of our revenue recognition policies:

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

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

Revenue Concentrations

Revenues are derived from the sale of discount show tickets and discount dinner reservations. Two hotel conglomerates, Caesars Entertainment Corporation and MGM Resorts International, own more than eighteen major hotels in the Las Vegas marketplace housing multiple theatres, restaurants and other types of venues. We generate approximately 70% of our revenues from the sale of discount show tickets and discount dinner reservations from Caesars Entertainment Corporation and MGM Resorts International. No single show, venue or theatre was greater than 10% of revenues.

Consolidation

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

TIX CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

Property and Equipment

Property and equipment are stated at cost or fair value at date of acquisition. Depreciation is recorded at the time property and equipment is placed in service using the straight-line method over the estimated useful lives of the related assets, which range from one to ten years. Leasehold improvements are amortized over the shorter of the expected useful lives of the related assets or the lease term.

Stock-Based Compensation

The Company periodically issues stock options and warrants to employees. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the ASC Topic 718 – *Stock Compensation* whereas the value of the award is measured on the date of grant and recognized over the vesting period.

The fair value of Tix's Common Stock option grant are estimated using the Black-Scholes option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the Common Stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model, and based on actual experience. The assumptions used in the Black-Scholes option pricing model could materially affect compensation expense recorded in future periods.

Intangible Assets and Goodwill

The Company accounts for intangible assets and goodwill in accordance with the authoritative guidance issued by the ASC Topic 350 – *Goodwill and Other*. Intangibles are valued at their fair market value and are amortized taking into account the character of the acquired intangible asset and the expected period of benefit. The Company evaluates intangible assets and goodwill for impairment, at a minimum, on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated undiscounted future cash flows. Recoverability of goodwill and intangible assets is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors, including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

At December 31, 2014, the goodwill of \$3.1 million and intangibles assets of \$153,000 relates to our Ticketing Services business. There were no indications of impairment based on management's assessment of these assets at December 31, 2014. Factors we consider important that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of the use of our assets or the strategy for our overall business, and significant negative industry or economic trends. If current economic conditions worsen causing decreased revenues and increased costs, we may have to record an impairment to our goodwill and intangible assets.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax asset or liability is established for the expected future consequences of temporary differences in the financial reporting and tax basis of assets and liabilities. The Company considers future taxable income and ongoing, prudent and feasible tax planning strategies, in assessing the value of its deferred tax assets. If the Company determines that it is more likely than not that these assets will not be realized, the Company will reduce the value of these assets to their expected realizable value, thereby decreasing net income. Evaluating the value of these assets is necessarily based on the Company's judgment. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, the value of the deferred tax assets would be increased, thereby increasing net income in the period when that determination was made.

The Company prescribes a recognition threshold and a measurement attributable for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized.

The Company identified and reviewed potential tax uncertainties and determined that the exposure to those uncertainties did not have a material impact on the Company's results of operations or financial condition as of December 31, 2014 and 2013.

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Deferred Rent Obligations

Certain of the real estate operating lease agreements to which we are party contain rent escalation clauses or lease incentives, such as rent abatements or tenant improvement allowances. Rent escalation clauses and lease incentives are taken into account in determining total rent expense to be recognized during the term of the lease, which begins on the date that we take control of the leased space. Renewal options are considered when evaluating the overall term of the lease. In accordance with ASC Topic 840 – *Leases*, differences between periodic rent expense and periodic cash rental payments, caused primarily by the recognition of rent expense on a straight-line basis and tenant improvement allowances due or received from lessors, are recorded as deferred rent obligations on our consolidated balance sheets.

We record tenant improvement allowances as a deferred rent obligation on our consolidated balance sheets and as a cash inflow from operating activities in our consolidated statements of cash flows. We record capital expenditures funded by tenant improvement allowances received as a leasehold improvement on our consolidated balance sheets and as a capital expenditure within our consolidated statements of cash flows.

Fair Value Measurements

The Company uses various inputs in determining the fair value of its investments and measures these assets on a recurring basis. Financial assets recorded at fair value in the consolidated balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. Authoritative guidance provided by the ASC Topic 820 - *Fair Value Measurements and Disclosure* defines the following levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these financial assets:

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

Level 2—Inputs, other than the quoted prices in active markets, that is observable either directly or indirectly.

Level 3—Unobservable inputs based on the Company’s assumptions.

The Company is required to use observable market data if such data is available without undue cost and effort. At December 31, 2014 and 2013, the fair value of cash, accounts receivable, prepaid expense and accounts payable approximate their fair values. Notes payable approximates their fair value based on their effective interest rates.

Basic and Diluted Income per Share

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

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

	Twelve Months Ended December 31,	
	2014	2013
Net income	\$ 4,148,000	\$ 1,574,000
Weighted average common shares – basic	18,194,770	23,565,286
Dilutive effect of outstanding warrants and stock options	152,398	75,797
Weighted average shares – diluted	18,347,168	23,641,083

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Net income per common share:

Basic	\$ 0.23	\$ 0.07
Diluted	\$ 0.23	\$ 0.07

There were no adjustments to net income required for purposes of computing diluted earnings per share. At December 31, 2014 and 2013, we excluded the outstanding securities summarized below, which entitle the holders thereof to acquire shares of common stock, from our calculation of earnings per share, as their effect would have been antidilutive.

	December 31, 2014	December 31, 2013
Warrants	147,059	747,059
Stock options	1,293,295	1,956,795
Total	1,440,354	2,703,864

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include assumptions made in the impairment analysis of goodwill and intangible assets, potential liabilities and the assumptions made in valuing stock instruments issued for services.

Advertising Costs

Advertising costs are charged to operations as part of selling, general and administrative expenses at the time the costs are incurred. Advertising costs for the years ended December 31, 2014 and 2013 were \$559,000 and \$579,000, respectively.

Concentration of Credit Risk

The Company maintains the majority of its cash balances with one financial institution, in the form of demand deposits. At December 31, 2014, the Company had cash deposits that exceeded the federally insured limit of \$250,000. The Company believes that no significant concentration of credit risk exists with respect to these cash balances because of its assessment of the creditworthiness and financial viability of the financial institution.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. ASU 2014-09 will eliminate transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle based approach for determining revenue recognition. ASU 2014-09 will require that companies recognize revenue based on the value of transferred goods or services as they occur in the contract. The ASU also will require additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for reporting periods beginning after December 15, 2016, and early adoption is not permitted. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 and has not determined the effect of the standard on our ongoing financial reporting.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (ASU 2014-08), *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)*. ASU 2014-08 amends the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift in operations or that have a major effect on the Company's operations and financial results should be presented as discontinued operations. This new accounting guidance is effective for annual periods beginning after December 15, 2014. The Company is currently evaluating the impact of adopting ASU 2014-08 on the Company's results of operations or financial condition.

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In August 2014, the FASB issued Accounting Standards Update No. 2014-15 (ASU 2014-15), *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted. The Company is currently evaluating the impact the adoption of ASU 2014-15 on the Company's financial statement presentation and disclosures.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

3. Property and Equipment

The table below displays our property and equipment balances as of December 31, 2014 and 2013, respectively.

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Office equipment and furniture	\$ 3,438,000	\$ 2,918,000
Leasehold improvements	<u>289,000</u>	<u>265,000</u>
Total property and equipment	3,727,000	3,183,000
Less accumulated depreciation	<u>(2,809,000)</u>	<u>(2,299,000)</u>
Total property and equipment, net	<u>\$ 918,000</u>	<u>\$ 884,000</u>

Depreciation expense was \$510,000 and \$633,000 for the years ended December 31, 2014 and 2013, respectively. During 2013 the Company recorded a loss of \$171,000 on the disposition of property and equipment which is reflected in the Consolidated Statements of Operations and Comprehensive Income.

4. Goodwill and Intangible Assets

The following table summarizes the original cost of goodwill and intangible assets, net of related accumulated amortization, at December 31, 2014 and 2013, respectively:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Contract commitments	\$ 2,242,000	\$ 2,242,000
Intellectual property (e.g. domain names)	<u>130,000</u>	<u>130,000</u>
Total intangible assets	2,372,000	2,372,000
Less accumulated amortization	<u>(2,219,000)</u>	<u>(1,874,000)</u>
Total intangible assets, net	153,000	498,000
Goodwill	<u>3,120,000</u>	<u>3,120,000</u>
Total goodwill and intangible assets, net	<u>\$ 3,273,000</u>	<u>\$ 3,618,000</u>

Total amortization expense related to intangible assets in 2014 and 2013 was \$345,000 and \$508,000, respectively. Total estimated amortization expense with respect to intangible assets for 2015 through 2016 is as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2015	\$ 136,000
2016	<u>17,000</u>
Total	<u>\$ 153,000</u>

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5. Senior Secured Note Payable

On May 14, 2014, the Company entered into a \$4.0 million secured term loan ("Loan") with U.S. Bank. The Loan was to be repaid over 36 months and bore an annual interest rate of prime plus 1.25% and had no prepayment penalty. The Loan was secured by the majority of the assets of the Company and its subsidiary and was subject to certain covenants for which the Company was in compliance. Proceeds from the Loan were used to pay in full its existing note payable to Baker Street Capital L.P. for \$3.7 million (see Note 6). The remaining proceeds were used for general working capital purposes. During the twelve months ended December 31, 2014, the Loan was paid in full leaving no balance outstanding as of December 31, 2014.

6. Notes Payable

The following table summarizes the notes payable balance, net of discount, as of December 31, 2014 and 2013, respectively:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
(A) Baker Street Capital, L.P.	\$ -	\$ 3,550,000
(B) VegasTix4Less, net of discount	728,000	904,000
Total notes payable	728,000	4,454,000
Less notes payable – short term, net of discount	(176,000)	(3,726,000)
Notes payable – long term	\$ 552,000	\$ 728,000

(A) Baker Street Capital, L.P.

On December 24, 2013, the Company entered into and concurrently closed on a Stock Repurchase Agreement with Baker Street Capital, L.P. ("BSC"), Baker Street Capital Management, LLC and Vadim Perelman, pursuant to which the Company purchased from BSC 5,451,259 shares of common stock of the Company, being all such shares owned by BSC. The aggregate purchase price for the acquired shares was \$10.7 million, or \$1.95 per share, of which \$1.30 per share, or \$7.1 million was paid in cash on December 24, 2013 and \$3.5 million, or \$0.65 per share, was payable on or prior to December 24, 2014 together with interest accrued thereon at an annual rate of 10% (the "Anniversary Payment"). At the election of the Company, it could prepay the Anniversary Payment at any time, in one or more payments, and interest would cease to accrue on any portion of the Anniversary Payment paid. The payment of the Anniversary Payment and interest thereon was evidenced by an unsecured promissory note made by the Company in favor of BSC and guaranteed by Tix4Tonight. Under the Stock Purchase Agreement, BSC was subject to certain restrictions, including standstill restrictions and, for a period of five years, a covenant not to compete with the Company or interfere with its business in Las Vegas. BSC and the Company had also agreed to mutual releases of claims. As of December 31, 2013, the net obligation due of \$3.6 million, which included accrued interest of \$7,000, was reflected as part of current liabilities on the accompanying consolidated balance sheets. On May 15, 2014, the Company paid in full the net obligation due of \$3.7 million, which included accrued interest of \$138,000, leaving no balance outstanding as of December 31, 2014.

(B) VegasTix4Less

On February 10, 2011, the Company entered into and concurrently closed on an Asset Purchase Agreement with VegasTix4Less. Pursuant to the Asset Purchase Agreement, the Company paid VegasTix4Less \$2.0 million in cash and issued a \$2.0 million non-interest bearing secured promissory note. The secured promissory note is secured by the assets acquired from VegasTix4Less. As this obligation carries no interest, the Company imputed an average interest rate of 5.00% resulting in a discount of \$200,000, which is being amortized on an effective interest rate basis over the eight year term of the note. As of December 31, 2013, \$1.0 million was outstanding under the promissory note. During the period ended December 31, 2014, the Company made a payment of \$200,000. As of December 31, 2014, \$800,000 was outstanding under the note payable, of which \$200,000 is due per year beginning in fiscal year 2015 and concluding in fiscal year 2018. As of December 31, 2014 and December 31, 2013, the unamortized discount for the note payable was \$72,000 and \$96,000, resulting in a net obligation due of \$728,000 and \$904,000, of which \$176,000 and \$176,000 was reflected as part of current liabilities on the accompanying consolidated balance sheets, respectively.

7. Obligation for Share Purchases

In fiscal year 2011, certain officers, excluding the Company's Chairman and Chief Executive Officer, and employees of the Company (the "Purchasers") agreed to purchase an aggregate of 942,590 shares of the Company's Common Stock from existing stockholders at \$2.00 per share or an aggregate of purchase price \$1.9 million.

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The selling stockholders agreed to defer the payment of their respective purchase prices in several installments over a five year period. All of the shares subject to each such purchase agreement will be held in escrow until the payment of the final installment to the seller under each such purchase agreement, at which time the shares will be released to the Purchasers. If the Purchaser fails to make an installment payment when due, the Company is obligated to make the installment payment and all future installment payments when due under their respective purchase agreement. If the Purchaser so defaults, the Company will be entitled to acquire all of the shares for which installment payments under the relevant purchase agreement have already been made and all shares for which it makes future installment payments, subject in each case to the continuing rights of the seller under the relevant purchase agreement and subject to the terms of the related escrow agreement. If, following such a default by the Purchaser, the Company fails to make any such installment payment when due, the shares representing the unpaid portion of the purchase price will be released from escrow and returned to the relevant seller and the remaining shares in escrow will be released to the Company. Each Purchaser has obtained a proxy from their respective sellers to vote all of the shares of Common Stock subject to their respective purchase agreement. The Company agreed to loan to the Purchasers an amount in cash sufficient to enable such Purchasers to pay the purchase price installment payments when due to the respective sellers under their respective purchase agreements. The Company also has an option to purchase from each Purchaser only those shares of Common Stock for which installment payments have already been made by such Purchaser under the respective purchase agreements for an exercise price ranging from \$2.25 to \$3.25 per share. In the event that the Company exercises the option, the shares of Common Stock subject to such option exercise will continue to remain subject to the continuing rights of the seller under the relevant purchase agreement and subject to the terms of the related escrow agreement.

Pursuant to authoritative guidance provided by the ASC Topic 820 – *Fair Value Measurements and Disclosure*, the Company determined that the agreement to finance the purchase of the 942,590 shares of Common Stock by these officers in exchange for a note (the “Note”) is considered an option for accounting purposes. As the Note is secured by the Common Stock purchased, the Purchasers have the option to relinquish the Common Stock to the Company in lieu of repaying the Note in case the value of the Common Stock falls below the value of the Note. In that event, the Purchasers will be in the same position as if it never exercised the option or purchased the stock. Further, the advances to the officers and employee under the note will be recorded as a reduction to Stockholders’ Equity. The Company determined the value of the 942,590 shares of Common Stock to be \$1.3 million based upon a Black-Scholes Method using the following assumptions – stock price of \$1.82; exercise price of \$2.00; expected life of 5 years; volatility of 93%; dividend rate of 0.0% and discount rate of 6%. The aggregate value of these shares of \$1.3 million is being amortized over the estimated life of 5 years. During both the twelve months ended December 31, 2014 and 2013, total amortization recorded amounted to \$232,000. As of December 31, 2014, the total unamortized amount of \$338,000 will be amortized over the next 1.2 years.

The Company has recorded the aggregate purchase of \$2.1 million due from the Purchasers as a contra-equity account in the accompanying consolidated balance sheets. The balance due from Purchasers was \$2.1 million as of December 31, 2013. As of December 31, 2013, \$244,000 was outstanding under the Company’s purchase obligation. During the twelve months ended December 31, 2014, the Company made further payments of \$90,000 to the Purchasers. As of December 31, 2014, \$159,000 was outstanding under the Company’s share purchase obligation to the Purchasers of which, \$81,000 was reflected as part of current liabilities and \$78,000 as non-current liability on the accompanying consolidated balance sheets.

8. Commitments and Contingencies

Operating Lease Obligations

The Company leases office space for its corporate headquarters in Studio City, California. Tix4Tonight leases space for its multiple ticket facilities and its administrative offices in Las Vegas, Nevada.

Many of the Company’s operating leases contain predetermined fixed increases in the minimum rental rate during the initial lease term and/or rent holiday periods. For these leases, the Company recognizes the related rent expense on a straight-line basis beginning on the effective date of the lease. Some leases also contain provisions for additional rent based on sale levels. Total lease expense was \$4.2 million and \$4.0 million for the years ended December 31, 2014 and 2013, respectively.

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At December 31, 2014, the Company's operating lease commitments for the next five fiscal years are summarized below.

Years Ending December 31,	Amount
2015	\$ 3,001,000
2016	2,416,000
2017	1,516,000
2018	1,400,000
2019 and beyond	908,000
Total	<u>\$ 9,241,000</u>

Retirement Plan

The Company has a 401(k) retirement plan which covers substantially all employees. Under the plan, participants may contribute up to 75% of pretax annual compensation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified plans. If an employee enrolls, a participant's minimum deferral is 1% of eligible compensation of the participant. Participants who have attained age 50 before the end of the year are eligible to make catch-up contributions. The Company contributes 100% of the first 3% of compensation and then 50% of the next 2% of compensation that a participant contributes to the Plan. Additional discretionary matching contributions may be contributed at the discretion of the Company's Board of Directors. All contributions are subject to certain limitations of the Internal Revenue Code. Total 401(k) retirement plan expense amounted to \$101,000 and \$111,000 for the years ended December 31, 2014 and 2013, respectively.

9. Stockholders' Equity

The Company from time to time issues its Common Stock, options and warrants as non-cash compensation for services rendered and as a component of employee compensation. No shares were issued for non-cash compensation for services rendered by outside providers during the years ended December 31, 2014 and 2013, respectively.

Employee Stock Ownership Plan

In December 2011, the Company adopted the Tix Corporation Employee Stock Ownership Plan (the "ESOP"), effective as of January 1, 2011, for the benefit of the Company's eligible employees. On March 10, 2014, the Company terminated the ESOP. The Company did not make a contribution or accrue for any contributions to be made in 2015 relating to the 2014 plan year.

Treasury Shares

During the year ended December 31, 2013, the Company purchased 5,451,259 shares of its outstanding Common Stock for \$10.8 million at an average price of \$1.95 per share, excluding costs (see Note 6). During the year ended December 31, 2014, the Company purchased 45,000 shares of its outstanding Common Stock for \$52,000 at an average price of \$1.16 per share, excluding costs (see Note 11).

Adjustment to Shares Outstanding

In calendar year 2004 and 2006, the Company entered into an agreement with outside parties for which it recorded an obligation to issue a total of 310,000 shares of Common Stock. The 310,000 shares of Common Stock were not issued. The agreements were terminated in July 2006 and April 2007. In December 2014, the Company concluded that given the significant amount of time that has passed without contact from the parties, it is highly improbable that the Company would ever issue the Common Stock and therefore recorded an adjustment to reduce its Common Stock outstanding as of December 31, 2014. The Company has no other obligation for unissued shares.

10. Stock-Based Compensation Plans

As of December 31, 2014, the Company has two stock-based compensation plans, which are described below.

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2009 Equity Incentive Plan

On July 8, 2009, the 2009 Equity Incentive Plan (the “2009 Equity Plan”) for officers, employees and consultants of the Company was approved pursuant to a Joint Written Consent of the Board of Directors and Majority Stockholders of the Company. The 2009 Equity Plan authorized the granting of not more than 3,000,000 restricted shares, stock appreciation rights (“SAR’s”), and incentive and non-qualified stock options to purchase shares of the Company’s Common Stock. The 2009 Equity Plan provided that stock options or SAR’s granted can be exercisable immediately as of the effective date of the applicable agreement, or in accordance with a schedule or performance criteria as may be set in the applicable agreement. The exercise price for non-qualified stock options or SAR’s would be the amount specified in the agreement, but shall not be less than the fair value of the Company’s Common Stock at the date of the grant. The exercise price for incentive stock options cannot be less than the fair market value of the Company’s Common Stock on the date of grant (110% of the fair market value of the Company’s Common Stock on the date of grant for a stockholder owning in excess of 10% of the Company’s Common Stock). The maximum term of options and SARs granted under the plan is ten years.

During the year ended December 31, 2013, the Company did not issue any options to purchase shares of its Common Stock under the 2009 Equity Incentive Plan. During the year ended December 31, 2014, the Company granted to certain executives stock options to purchase an aggregate of 1,130,000 shares of Common Stock at an average price of \$1.25 per share. The options were valued at \$691,000 and will vest over a 36 month period and have a five year life. As of December 31, 2014, options to purchase 740,000 shares of Common Stock remain reserved for issuance under the 2009 Equity Plan.

Amended and Restated Directors Equity Incentive Plan (2004 Directors Option Plan)

On March 3, 2005, the Company adopted the Directors Stock Option Plan (the “2004 Directors Option Plan”) for non-employee directors of the Company. The 2004 Directors Option Plan was approved pursuant to a Joint Written Consent of the Board of Directors and Majority Stockholders of the Company dated September 22, 2004. The 2004 Directors Option Plan authorized the granting of non-qualified stock options to purchase an aggregate of not more than 100,000 shares of the Company’s Common Stock. The 2004 Directors Option Plan provided that options granted would be exercisable for a period not to exceed ten years and would vest on a cumulative basis as to one-third of the total number of shares covered thereby at any time after one year from the date the option was granted and an additional one-third of such total number of shares at any time after the end of each consecutive one-year period thereafter until the option had become exercisable as to all of such total number of shares. The exercise price for non-qualified stock options would be the fair value of the Company’s Common Stock at the date of the grant. No option may be exercised during the first six months of its term except in the case of death. On May 30, 2007, an amendment to the 2004 Directors Option Plan was approved through a Corporate Resolution by the Company’s Board of Directors, and adjusts the vesting period of options granted from vesting one-third annually over three years to vesting immediately. On July 8, 2009, an additional amendment to the 2004 Directors Option Plan (“The Amendment”) was approved pursuant to a Joint Written Consent of the Board of Directors and Majority Stockholders of the Company. The Amendment increased the authorized amount of option grants to purchase shares of our Common Stock to 1,000,000.

On March 10, 2014, the Company amended and restated the 2004 Directors Option Plan and renamed it the “Amended and Restated Directors Equity Incentive Plan” (the “Directors Plan”). Awards under the Directors Plan may be made only to members of the Board of Directors who are not employees of the Company or any of its affiliates. The Directors Plan authorizes the issuance of not more than 1,000,000 shares of the Company’s Common Stock pursuant to awards of restricted shares, SAR’s, and non-qualified stock options. The Directors Plan provides that stock options or SAR’s granted can be exercisable immediately as of the effective date of the applicable agreement, or in accordance with a schedule or performance criteria as may be set in the applicable agreement. The exercise price for stock options or SAR’s would be the amount specified in the agreement, but would not be less than the fair value of the Common Stock at the date of the grant. The maximum term of options and SARs granted under the plan is 10 years.

During the year ended December 31, 2013, the Company did not issue any options to purchase shares of its Common Stock under the Directors Plan. During the year ended December 31, 2014, the Company granted to non-executive Board of Directors stock options to purchase an aggregate of 400,000 shares of Common Stock at an average price of \$1.25 per share. The options were valued at \$244,000 and will vest over a 36 month period and have a five year life. As of December 31, 2014, options to purchase 360,000 shares of Common Stock remain reserved for issuance under the Directors Plan.

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Summary of Stock Options

A summary of the combined stock options for the year ended December 31, 2014 for the two plans discussed above is as follows:

	Number of Options		Weighted Average Exercise Price
Balance outstanding, December 31, 2012	2,309,295	\$	2.08
Options granted	-		-
Options exercised	-		-
Options expired or forfeited	(50,000)		3.20
Balance outstanding, December 31, 2013	2,259,295		2.06
Options granted	1,530,000		1.25
Options exercised	(50,000)		1.25
Options expired or forfeited	(356,000)		1.30
Balance outstanding, December 31, 2014	3,383,295	\$	1.78
Balance exercisable, December 31, 2014	2,014,104	\$	2.14

During the year ended December 31, 2014, the Company granted to its directors, executives, and an employee, stock options to purchase an aggregate of 1.5 million shares of Common Stock. The fair value of the options granted was determined to be \$935,000 and is being amortized over the vesting period of 36 months.

The fair value of each option on the date of grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2014		2013	
Risk free rate of return	1.69	%	-	%
Option lives in years	4.00		-	
Annual volatility of stock price	63.00	%	-	%
Dividend yield	0.00	%	-	%

Information relating to outstanding stock options at December 31, 2014, summarized by exercise price, is as follows:

	Outstanding			Exercisable	
	Life	Weighted Average Exercise Price		Weighted Average Exercise Price	
Exercise Price Per Share	Shares	(Years)		Shares	
\$6.00 - \$7.00	333,000	2.73	\$	333,000	\$ 6.99
\$0.82 - \$1.99	3,050,295	5.05	\$	1,681,104	\$ 1.18
	3,383,295	4.82	\$	2,014,104	\$ 2.14

The Company recorded compensation expense pursuant to authoritative guidance provided by the ASC Topic 718 – *Stock Compensation* for the years ended December 31, 2014 and 2013 of \$147,000 and \$475,000, respectively. As of December 31, 2014, the Company has outstanding unvested options with future compensation costs of \$889,000, which will be recorded as compensation cost as the options vest over their remaining average vesting period of 2.67 years.

The intrinsic value of outstanding stock options at December 31, 2014 was \$760,000 as compared to \$54,000 at December 31, 2013. The intrinsic value of exercisable stock options at December 31, 2014 was \$489,000 as compared to \$54,000 at December 31, 2013.

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Summary of Warrants

A summary of warrant activity for the year ended December 31, 2014 is as follows:

	<u>Number of warrants</u>		<u>Weighted average exercise price</u>
Balance outstanding, December 31, 2012	747,059	\$	1.33
Warrants granted	-		-
Warrants exercised	-		-
Warrants expired	-		-
Balance outstanding, December 31, 2013	747,059		1.33
Warrants granted	-		-
Warrants exercised	-		-
Warrants expired	-		-
Balance outstanding, December 31, 2014	747,059	\$	1.33
Balance exercisable, December 31, 2014	734,804	\$	1.32

Information relating to outstanding warrants at December 31, 2014, summarized by exercise price, is as follows:

<u>Exercise Price Per Share</u>	<u>Outstanding</u>			<u>Exercisable</u>	
	<u>Shares</u>	<u>Life (Years)</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
\$1.20 - \$1.85	747,059	5.21	\$ 1.33	734,804	\$ 1.32

The Company recorded compensation expense pursuant to authoritative guidance provided by the ASC Topic 718 – *Stock Compensation* for the years ended December 31, 2014 and 2013 of \$50,000 and \$229,000, respectively. As of December 31, 2014, the Company has outstanding unvested warrants with future compensation costs of \$8,000, which will be recorded as compensation cost as the options vest over their remaining average estimated life of 0.2 years.

The intrinsic value of outstanding warrants at December 31, 2014 was \$150,000 as compared to \$0 at December 31, 2013. The intrinsic value of exercisable warrants at December 31, 2014 was \$150,000 as compared to \$0 at December 31, 2013.

11. Related Party Transactions

On May 31, 2011, pursuant to an agreement between Ms. Simon, an existing stockholder of the Company, and the Company, as amended on December 9, 2011, March 5, 2012, and December 3, 2013, Ms. Simon agreed to purchase an aggregate of 631,258 shares of Common Stock from the existing holder for \$2.00 per share. On June 6, 2011, pursuant to an agreement between Mr. Handy, an existing stockholder of the Company and the Company, Mr. Handy agreed to purchase 211,332 shares of Common Stock from the existing holder for \$2.00 per share. Mr. Handy also agreed, in June 2011, to purchase 63,158 shares of Common Stock from another existing holder for \$2.00 per share, which agreement was assigned to another employee of the Company in December 2011. In both cases, the selling stockholders agreed to defer the payment of their respective purchase prices in several installments over a five year period. All of the shares subject to each such purchase agreement will be held in escrow until the payment of the final installment to the seller under each such purchase agreement, at which time the shares will be released to Mr. Handy or Ms. Simon, as the case may be. If Mr. Handy or Ms. Simon fail to make an installment payment when due, the Company is obligated to make the installment payment and all future installment payments when due under their respective purchase agreement. If Mr. Handy or Ms. Simon so defaults, the Company will be entitled to acquire all of the shares for which installment payments under the relevant purchase agreement have already been made and all shares for which it makes future installment payments, subject in each case to the continuing rights of the seller under the relevant purchase agreement and subject to the terms of the related escrow agreement. If, following such a default by Mr. Handy or Ms. Simon, the Company fails to make any such installment payment when due, the shares representing the unpaid portion of the purchase price will be released

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from escrow and returned to the relevant seller and the remaining shares in escrow will be released to the Company. Mr. Handy and Ms. Simon have each obtained a proxy from their respective seller to vote all of the shares of Common Stock subject to their respective purchase agreement. The Company agreed to loan to Mr. Handy and Ms. Simon an amount in cash sufficient to enable Mr. Handy and Ms. Simon to each pay the purchase price installment payments when due to the respective sellers under their respective purchase agreements. The Company also has an option to purchase from Mr. Handy and Ms. Simon only those shares of common stock for which installment payments have already been made by Mr. Handy or Ms. Simon under the respective purchase agreements for an exercise price ranging from \$2.25 to \$3.25 per share. In the event that the Company exercises the option, the shares of Common Stock subject to such option exercise will continue to remain subject to the continuing rights of the seller under the relevant purchase agreement and subject to the terms of the related escrow agreement.

Kimberly Simon, the Company's Chief Operating Officer, is the founder, managing director, and trustee of KiSS for Homeless Animals, an Internal Revenue Service section 501(c)(3) tax-exempt organization, whose charter is to help homeless animals in need. Mitch Francis, the Company's Chairman and Chief Executive Officer, is a Trustee. In 2014, the Company held one campaign. In 2013, the Company increased its number of campaigns to two and changed the direct beneficiary of its matching contribution from the NSPCA to KiSS for Homeless Animals. Prior to 2013, the Company held an annual campaign for which its customers made donations to the Nevada Society for the Prevention of Cruelty to Animals (NSPCA). The Company matched customer donations up to a predetermined amount. During the year ended December 31, 2014 and 2013, the Company made charitable contributions to KiSS for Homeless Animals of \$46,000 and \$71,000, respectively.

On May 27, 2014, the Company purchased from a director, 40,000 shares of its outstanding Common Stock for \$44,000 at a price of \$1.10 per share.

12. Income Taxes

At December 31, 2014, the Company estimates it had federal net operating loss carry forwards ("NOL") of approximately \$37.6 million, which are subject to certain limitations, which begin expiring in 2019 in varying amounts through 2033. The Company also has California State NOL of approximately \$2.4 million expiring in 2014 in varying amounts through 2032.

Authoritative guidance issued by the ASC Topic 740 – *Income Taxes* requires that a valuation allowance be established when it is more likely than not that all or a portion of deferred tax assets will not be realized. Based on a study performed by an outside third party during the third quarter of 2011 and due to the restrictions imposed by Internal Revenue Code Section 382 regarding substantial changes in ownership of companies with loss carry forwards, the utilization of the Company's NOL is limited to \$1.8 million per year as a result of recent cumulative changes in stock ownership. NOL's of \$28.4 million, which were incurred subsequent to the latest change in control, are not subject to the \$1.8 million per year limitation. As a result of the limitations related to Internal Revenue Code Section 382 and the Company's lack of history of profits prior to 2012, the Company recorded a 100% valuation allowance against its net deferred tax assets as of December 31, 2014 and December 31, 2013.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company has existing limitations on its available federal NOL due to its previous changes in ownership under Internal Revenue Service Section 382 guidelines. These restrictions limit the amount of NOL the Company can utilize over the next several years.

During 2014 we have utilized certain federal NOLs to reduce our current year tax provision. We have provided valuation allowances related to the benefits from income taxes resulting from the application of a statutory tax rate to our NOL's generated in previous periods. The allowances were established and maintained as a result of our history of losses from operations.

The Company is subject to both Federal and State examination for the years ended 2011 to 2013.

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Income tax expense for the years ended December 31, 2014 and 2013 is shown as follows:

Years ended December 31,	2014	2013
Current	\$ 100,000	\$ 5,000
Deferred	-	-
Total	<u>\$ 100,000</u>	<u>\$ 5,000</u>

The effects of temporary differences between the financial reporting and income tax bases of assets and liabilities which give rise to the deferred tax assets and liabilities at December 31, 2014 and 2013 are presented below:

Years ended December 31,	2014	2013
Deferred tax items:		
Net operating loss	\$ 12,779,000	\$ 17,470,000
Other	1,980,000	993,000
Total deferred tax assets	14,759,000	18,463,000
Valuation allowance	(14,759,000)	(18,463,000)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

13. Legal Proceedings

We are not currently involved in any litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or our subsidiary, threatened against or affecting our company, our common stock, our subsidiary or of our company or our subsidiary's officers or directors in their capacities as such.

14. Subsequent Events

The Company has evaluated subsequent events occurring from January 1, 2015 through March 31, 2015, the date the financial statements were issued.

In March 2015, pursuant to separate Repayment Agreements by and between the Company and each Purchaser described in Notes 7 and 11, the Company assumed and paid in full the remaining obligation of the respective Purchasers to the selling shareholders of approximately \$159,000 (See Notes 7 and 11) and acquired the remaining underlying shares from the selling shareholders. Each Repayment Agreement also provided for a return of shares to the Company (that were previously paid for and acquired from the selling shareholders) as payment in full for the loans previously provided by the Company to the given Purchaser to purchase the relevant shares from the selling shareholders. As a result of the execution of the separate Repayment Agreements, a total of 942,590 shares of the Company's Common Stock was returned to the Company's treasury, leaving total shares outstanding of 16,922,154 at March 31, 2015.

Effective as of March 1, 2015, the Company entered into a new employment agreement with Mitch Francis, the Company's Chief Executive Officer. Mr. Francis' prior employment agreement expired on February 28, 2015. The new employment agreement has a five-year term through February 28, 2020. As part of the new employment agreement, Mr. Francis was granted options to purchase shares of the Company's Common Stock, with 100,000 options vesting and becoming exercisable on each anniversary date.

On March 24, 2015, the Board of Directors of the Company approved two substantive amendments to the Second Amended and Restated Bylaws (the "Bylaws") of the Company (each, a "Bylaw Amendment"), which became effective immediately. The first Bylaw Amendment amends the Bylaws to include a forum selection clause that establishes the Court of Chancery in the State of Delaware (or, only if the Court of Chancery in the State of Delaware declines to accept jurisdiction over a particular matter, any federal court within the State of Delaware) as the sole and exclusive forum for certain legal claims and actions, including derivative actions, actions asserting a breach of fiduciary duty by the directors or officers of the Company, actions based on the Delaware General Corporation Law, or actions asserting a claim governed by the internal affairs doctrine, unless the Company consents in writing to the selection of an alternative forum. The second Bylaw Amendment provides, to the fullest extent

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permitted by law, (i) for the shifting of litigation expenses to an unsuccessful plaintiff in intra-corporate litigation who does not obtain a judgment on the merits that substantially achieves, in substance and amount, the full remedy sought and (ii) that a plaintiff in intra-corporate litigation is required to pay all of its own litigation expenses, and will not be entitled to recover such litigation expenses from the Company, regardless of whether the plaintiff is successful.

The foregoing descriptions of the Bylaw Amendments are only a summary, do not purport to be complete, and are qualified in their entirety by reference to the Bylaw Amendments which the Company will make available on its website.