Table of Contents

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

FORM 10-KT

(Mark One)

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

For the fiscal year ended

or

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

For the transition period from July 1, 2022 to December 31, 2022

Commission File Number: **001-40329**

Troika Media Group, Inc.

(Exact name of registrant as specified in its charter)

Nevada	**83-0401552**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
25 West 39th Street, 6th Floor New York, New York	**10018**
(Address of principal executive offices)	(Zip Code)

(212) 213-0111
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, $0.001 par value	TRKA	The Nasdaq Capital Market
Redeemable warrants to acquire common stock	TRKAW	The Nasdaq Capital Market

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☑ Yes ☐ No

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

[APPLICABLE ONLY TO ISSUERS INVOLVED IN
BANKRUPTCY PROCEEDINGS DURING THE
PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. ☐ Yes ☐ No]

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding at March 3, 2023
Common Stock, $0.001 par value	**344,306,906**

As of December 31, 2021, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's Common Stock, held by non-affiliates was approximately $50.6 million, based upon the closing price of $1.16 per share as quoted on The Nasdaq Stock Market on that date.

DOCUMENTS INCORPORATED BY REFERENCE

Documents Incorporated by Reference: Certain information required for Part III of this Transition Report on Form 10-K/T is incorporated by reference to an amendment to this Form 10-K/T, which is intended to be filed with the Securities and Exchange Commission within 120 days of Troika Media Group's fiscal year end.

EXPLANATORY NOTE

This Transition Report on Form 10-K/T, Troika Media Group Inc., together with its subsidiaries, is referred to in this document as "we", "our", "us", or the "Company"), incorporates by reference certain information from parts of other documents filed with the Securities and Exchange Commission. The Securities and Exchange Commission allows us to disclose important information by referring to it in that manner. Please refer to all such information when reading this Transition Report on Form 10-K/T. All information is as of December 31, 2022 unless otherwise indicated. For a description of the risk factors affecting or applicable to our business, see "Risk Factors," below.

CHANGE IN FISCAL YEAR

We have changed our fiscal year end to December 31 from June 30, effective January 1, 2023. This transition report is for the six-month transition period of July 1, 2022 through December 31, 2022. References in this report to "fiscal year" refer to years ending June 30. References to this report to "transition period" refer to the six month period ending December 31, 2022.

FORWARD-LOOKING STATEMENTS

This Transition Report on Form 10-K/T contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K/T under the heading "Risk Factors."

Forward-looking statements in this Transition Report speak only as of the date hereof. The Company does not undertake any obligation to update or release any revisions to any forward-looking statement made herein or to report any events or circumstances after the date hereof or to reflect the occurrence of unanticipated events or to conform such statements to actual results or changes in our expectations, except as required by law.

TABLE OF CONTENTS

PART I

Item 1. Business

Business Transformation

Following the acquisition of Converge Direct, LLC and its affiliates ("Converge" and "Converge Acquisition") on March 22, 2022, Troika Media Group, Inc. ("Company," inclusive of Converge) has experienced a fundamental restructuring of its management, business strategy, solutions, and operations. The Converge Acquisition has significantly altered the strategic course of the Company to be better positioned to deliver scalable revenue on sustainable growth and efficient operations.

The Company has undergone the following transformative events since March 2022:

- **Revenue Growth Capabilities:** The addition of Converge's revenue capabilities as evidenced by the Company's audited revenues of approximately $187.9 million and gross margin of approximately $25.7 million for the six months ended December 31, 2022, relative to the Company's revenues of approximately $15.3 million and gross margin of approximately $6.9 million for the six months ended December 31, 2021.

- **Executive Management and Leadership:** The appointment of Sadiq (Sid) Toama as President on March 21, 2022, and subsequent appointment as Chief Executive Officer on May 19, 2022 (formerly, Converge's Chief Operating Officer since 2016). The appointment of Erica Naidrich as Chief Financial Officer on May 23, 2022. The appointment of Converge's former leadership team to critical growth positions across the Company including Business Development, Media, Analytics, and Technology. The departures of the Company's former Chief Executive Officer, President, Chief Operating Officer, and Chief Financial Officer.

- **Governance:** The restructuring of the Company's Board of Directors including the appointment of Randall Miles as Director and Chairman of the Board.

- **Integrated Business Strategy:** The creation of an integrated consulting and solutions business designed to power consumer engagement, and customer acquisition as the Company's core capability. Redefinition and integration of the Company's legacy creative services into a unified Brand Building and Activation solution group to build on Converge's customer acquisition and enterprise technology offerings.

- **Business Unit Restructuring:** The Company has divested, discontinued, and downsized non-profitable and non-essential business units including its: London-based press relations and communications business (Mission-Media Limited), peer-to-peer digital asset marketplace (Troika IO), digital creative operations (Troika Labs), and the Company's sports and entertainment rebranding business, Troika Design Group, Inc.

- **Business Operations:** The Company has restructured its business operations to a matrixed services structure to streamline finance, facilities, people operations, technology, analytics, strategy, sales, and marketing.

- **New Revenue Strategy:** Focusing revenue strategy and operations that boost revenue growth and are accretive to earnings: pivoting the business strategy to Converge's proven track record of customer engagement and acquisition across the Company's new core sectors.

- **Sector and Revenue Streams:** Recalibrating the Company's sector mix to match its new solutions capabilities to power scalable revenue opportunities. Introduction of Converge's Performance Solutions revenue stream to attract new clients.

Company Overview

The Company is a professional services company that architects and builds enterprise value in consumer facing brands to generate scalable performance-driven revenue growth through customer acquisition. The Company delivers three solutions pillars that: **CREATE** brands and experiences and **CONNECT** consumers through emerging technology products and ecosystems to deliver **PERFORMANCE**-based measurable business outcomes.

Business Solutions Pillars

The Company now provides the three brand and customer acquisition solutions through one unified organization that has three core "Business Solutions Pillars”:

- Brand Building and Activation
- Marketing Innovations and Enterprise Technology
- Performance and Customer Acquisition

The Company’s Business Solutions are designed to be executed as standalone or integrated activations with a unified go-to-market approach.

The Company generates revenue principally from two material revenue streams: Managed Services and Performance Solutions.

The Company’s Managed Services are typically orientated around the management of a customer’s marketing, data, and/or creative program. The Company’s deliverables relate to the planning, designing, and activating of a solution program or set of work products. The Company executes this revenue stream by leveraging internal and external creative, technical or media-based resources, third party advertising technology ("AdTech") solutions, proprietary business intelligence systems, data delivery systems, and other key services required under the terms of a scope of work with a client.

The Company’s Performance Solutions are typically orientated around the delivery of a predetermined event or outcome to a client. Typically, the revenue associated with the event (as agreed upon in a scope of work) is based on a click, lead, call, appointment, qualified event, case, sale, or other defined business metric. The Company engages in a myriad of consumer engagement tactics, digital and offline ecosystems, and customer acquisition methods to generate a consumer’s interest in a particular service or product.

Enterprise Organization

The Company is structured as a matrixed organization with four operational and business quadrants:

- Enterprise Planning and Operations
- Knowledge and Technical Services
- Client Acquisition and Thought Leadership
- Business Consulting Solutions

This matrix structure is capable of delivering a financially efficient organization that democratizes technical and planning resources.

Scale

We excel at generating highly scalable customer acquisition and retention programs in high value products and services cross several strategic sectors. The Company generates resilient enterprise brand value and revenues for its clients, having orchestrated thousands of mass scale campaigns and sales programs for some of the leading companies in the United States.

Sector Expertise

The Company's expertise is in large consumer sectors including Insurance, Financial Services, Home Improvement, Residential Services, Legal, Professional Services, Media and Entertainment.

The Company’s Business Solutions are architected to service other sectors that have a B2C focus with a need for high lifetime value customers.

Headquarters

The Company is headquartered in New York, New York with satellite offices in Los Angeles, California and Brooklyn, and Westchester County, New York.

Converge Acquisition

In March 2022, the Company acquired Converge Direct, LLC and its affiliates for a purchase price of $125.0 million. Converge was founded in 2006 and became a leading customer acquisition and business measurement partner for large brands in the entertainment, financial and professional services, education, leisure, and home services verticals. The Converge Acquisition enables the Company to provide performance-based customer generation capabilities powered by Converge's business intelligence know-how, data, and technology capabilities.

The Converge Acquisition has proven to be the catalyst for the Company's transformation into an integrated consulting and solutions business which is now built upon Converge's proven growth, operational model, and tenured team members. The Converge Acquisition has created a platform, powered by a new executive and management team (and recomposed Board of Directors), to establish an intelligently connected solutions organization that can build upon Converge's revenues of $294.0 million and Income from Operations of $21.0 million for the year ended December 31, 2021 (pursuant to Converge's audited financial statement).

Converge's resilient growth since 2017 (and during COVID-19) was based on demand for its performance-based customer acquisition and business intelligence programs across its digital and offline mediums, first party data, and digital brand products. Most notably, Converge's revenue growth in the home services and professional services sectors during COVID-19 continues to power the Company's growth potential and scalability which can be easily translated across various new business sectors.

Converge grew to an eighty (80) person operation, at the time of the Acquisition, with offices in New York City, NY, Westchester County, NY, and San Diego, CA. Converge's co-founder, Tom Marianacci, is now the Head of Demand Solutions, former member Mike Carrano holds the position of Head of Supply Solutions, and Sadiq (Sid) Toama is the Company's Chief Executive Officer and a member of the Board of Directors.

Company Strategy

Business Strategy

Our business strategy is to build upon Converge's success and revenues by continuing its focus on performance driven business outcomes and delivering measurable outcomes that is underwritten by our enterprise technology and analytics expertise. The Company is now able to complement the core capabilities of the Converge Acquisition to deliver the other key attributes of a successful customer engagement business.

Our business purpose, as an organization, and our value to shareholders is to continue to build and grow the business to:

- Deliver measurable enterprise value to our clients through deployment of innovative and future proof Brand Strategy, Enterprise Technology and Performance Marketing;
- Architect, deploy and manage measurement ecosystems for our clients to measure our impact and the impacts of other headwinds and tailwinds in their business;
- Deliver high intent and high lifetime customers;
- Generate sustainable and cost-effective customers whilst mitigating market volatility acting as our clients' customer acquisition insurance partner;
- Offer flexible and risk mitigating business models that are innovative and reward us for our investment in our clients' businesses;
- Activate a disciplined focus on Sector expertise to help clients intelligently scale their businesses and be able to focus on what they do best;
- Introduce best technical and strategic practices across our Sectors for our clients and for ourselves as thought leaders and activation engineers;
- Develop full, vertically integrated brands that create rich first party data that can be monetized through intelligent lead and data distribution to the most valuable buyers;
- Build and deploy licensable brands and digital products for clients who wish to manage their own lead formula on a self-serve basis;
- Expand our core solutions into complementary sub-verticals; and
- Focus on engagements and cross-brand partnerships that produce outcomes: if our clients win, we win.

Our integrated Performance Solutions enable us to put our own skills and expertise in play and to be compensated when our clients win. Our solutions become incremental to current client activity and soon become part of a core growth strategy that clients find difficult to replace. We do this across all facets of our business solutions and our Knowledge Services capabilities.

The new organizational mantra is "*to do for ourselves what we do for our clients"*; ultimately, we believe there is no better way to build a robust internal value system than to replicate the way in which we help our clients for our own continued growth.

Knowing Our Clients

Our focus is always on knowing (and continuing to better understand) our clients and what keeps them up at night. Our dedication to a disciplined order, method, and routine when it comes to discovery allows us to get the most crucial insights into our clients' businesses. We also know that our clients consist of an array of functions which allows us to deploy our mix of multi-functional experts to complement external stakeholders.

We focus on practical and scalable technology and data activations to leverage decision sciences to transform our business and those of our clients. Our clients' businesses are in constant flux which increases the need for perpetual discovery. We closely partner with our clients to analyze multi-touch data across their business data mesh to report, diagnose, prescribe, and activate optimization strategies to maximize investments in creative, media, and customer offerings to drive sales growth.

Agnostic Approach

Our technology and marketing channel agnostic philosophy allows us to deploy diversified solutions for our clients that consider macro- and microeconomic and technical headwinds and opportunities to generate strong return on investment and protect downside risk.

We can build custom programs and measurement strategies to help clients whether they are in growth or risk management stages in their lifecycle by offering performance solutions. We do this to help minimize their exposure to media, client CRM inconsistencies, and other customer acquisition unknowns such as call centers, supply chain, and business model hazards. We are not a lead generation marketplace as we continue to act as consultants to our clients in providing thought leadership and solutions capabilities to solve our clients' custom challenges.

Human Capital Resources

As a company that is made up of technical functions and talent, our processes and our people are our standout competitive advantages. We are committed to a culture of shared success, investing in our people to provide them with opportunities across our organization and help them achieve their personal objectives. No different to our business value to our clients, we continuously seek to bring our analytics focus to measure, diagnose, and prescribe the best paths forward for our people. Our matrixed organization, where our people report to their function and to the project, enables our teams to get a broad reach into multiple functions and insights across the Company to increase the lifetime value for both parties. This approach enables the Company to provide long-standing and stable services powered by people who really do know their clients through shared processes.

The Company has attracted, and continues to attract, talented and diverse team members during the recent transformation of the business. The Company's focus has been to introduce talent from all sectors to build upon its creative, media, and analytics talent pool. As of December 31, 2022, the Company employs 97 individuals across the globe.

The Company continues to work with its newly structured Board of Directors to architect attractive compensation strategies for its new look organization.

Revenue Generation

We generate revenue by merging our brand architectural teams, our technology powered consumer engagement capabilities, and media reach to deliver our clients' commercial objectives such as customer acquisition, consumer engagement, or profit driven outcomes. We do this using insights from internal and external data markers that we manage through Helix, our Business Intelligence platform. Helix allows us, our partners, and clients to make diagnostic and prescriptive business decisions efficiently and measure business and operational impacts to continually optimize our performance.

In doing so, we are able to provide different revenue generating programs. We are typically compensated on a negotiated "per lead," "per call," or other "per business action" basis that ultimately is architected by us with due regard for supply and demand factors and subject to there being a viable and scalable engagement opportunity for all parties concerned. Our higher margin business engagements are powered by executing customer acquisition and engagement programs across a range of channels and mediums whereby we take on the cost of paying digital search companies, third-party media sources, affiliate marketing platforms, content aggregators, data providers, and other strategic partners to generate consumer engagement both on digital devices and in the physical home or property.

We can unify our creative, technology, and performance acquisition capabilities to power all our different revenue streams. As a long-standing customer acquisition partner for large advertisers, we can leverage our media and technology economies of scale to power our more lucrative revenue streams. The symbiosis of our revenue streams combine to create the best of both worlds for us to continue to grow in the media, creative, and technology verticals. Ultimately, this is our competitive advantage and as we continue to build on the long-standing partnerships, we are best suited to take advantage of our unified Create, Connect, and Perform strategy.

The Company generates revenue by providing consulting and solutions for its clients that include:

- Design, build and execution of brand building;
- Activation of brand strategy and amplification across multiple consumer engagement channels and mediums;
- Extending brand engagement into emerging technologies and ecosystems (Web3, metaverse, augmented reality, and virtual reality);
- Generation of incremental client revenue and awareness through brand licensing, partnerships, and audience extensions;
- Implementation of enterprise technology to measure the impact of the Company's Business Solutions Pillars;
- Architecting and delivering analytics solutions to help brands through descriptive, diagnostic, predictive, and prescriptive analytics;
- Delivering data aggregation and visualization solutions through its proprietary Helix Business Intelligence platform;
- Generating consumer opt-in to receive product and services offers from brands;
- Monetization of first party data and consumer traffic;
- Building and executing omnichannel and multi-medium customer acquisition and retention programs on a performance basis;
- Monetization of consumer leads generated through our own brands and digital ecosystems; and
- Implementation of customer acquisition and retention technologies and operational enhancements for clients.

Consumer Acquisition and Engagement

Having acquired Converge, our now integrated strategy supports our agile competitive standing in the marketplace. Our media buying power, proprietary technologies, consumer data aggregation, and business intelligence solutions create further opportunities to scale the Company's revenue in the sectors we serve. We are able to deploy our turnkey solutions to further grow revenue due to the following attributes:

- Our deep data capabilities and operational business experience in our client sectors;
- Our years of media and customer acquisition know-how across multiple channels; and
- Our ability and agility at orchestrating hundreds of simultaneous programs, campaigns, and engagement tactics allow us to optimize our test and learn strategy to take advantage of lucrative opportunities.

Because of our deep expertise in online and offline mediums, we can effectively trade the market for consumer traffic and data source, partners of whom generate high-intent and unbranded media.

Our consumer engagement programs garner consumer data points and traffic in several ways:

- Email campaigns;
- SMS campaigns;
- Internal Brand and Client Brand in organic or search engine optimization ("SEO") websites;
- Targeted search engine marketing ("SEM");
- Pay-per-click ("PPC") campaigns;
- Pay-per-call ("PPCL") campaigns;
- Social and web3 community ecosystems;
- Prospect, internal, and third-party email programs;
- Call center operations; and
- Online and offline media partnerships.

Our reach continues to be an attractive commercial and risk mitigation proposition for our clients. We add value due to our diverse and flexible multi-channel capabilities that help our programs to minimize market fluctuations and take advantage of optimization opportunities. Clients pay us for the actual opt-in actions by visitors or customers that result from our marketing activities on their behalf, versus traditional impression-based advertising and marketing models in which an advertiser pays for a broad audience's exposure to an advertisement.

We continue to build on our long-standing client partnerships in the cost or impression marketing models in which our clients are responsible for the costs of media impressions to a wide scale audience across online and offline mediums. The Company is strategically positioned to marshal clients from traditional account-based media engagements and into outcome-based performance solutions and vice versa dependent on market conditions and business needs for all parties.

Transparency

Due to our agnostic approach to AdTech, marketing technology ("MarTech"), and customer acquisition ecosystems, we can provide clients transparency into the decisions and recommendations that we make. We have prioritized the "why we do things" above "how we do things" to ensure that clients and partners are not limited in the spectrum of solutions that we offer due to exclusivity of services and financial arrangements with our partners and ecosystems.

The Company executes its customer acquisition solutions across multiple scalable channels and mediums such as email, SMS, display, video, audio streaming, digital Out of Home, Search Engine Marketing, Social, Affiliate, Direct Mail, Linear TV, Linear Radio, and Print Inserts. The Company's enterprise technology expertise spans all major AdTech and MarTech ecosystems, including Google (Elite Marketing Partner), Bing, The Trade Desk, LiveRamp, Facebook, TikTok, and other leading digital service providers. The Company's technology footprint spans NetSuite, Oracle, Salesforce, AWS, and Adobe.

Industry Overview, Market Opportunities and Competitive Landscape

Industry Overview

The Company's consulting and solutions services are designed to fulfill three key client outcomes: (1) build enterprise value in brands, (2) generate resilient, scalable, and performance-driven revenue growth, and (3) retain customers and maximize their value. The Company powers these outcomes through a myriad of services that span:

(i) Brand Building and Activation;
(ii) Marketing Innovation and Enterprise Technology; and
(iii) Performance and Customer Acquisition.

The Company's channel agnostic capabilities in the engagement and acquisition of consumers by offering a dual solutions stream, enables it to expand its total addressable market. The Company operates in diverse sectors that are complementary across consumer audiences. The sectors are curated to mitigate the macro- and microeconomic but also to leverage the relative scale of those sectors and market geographies.

Market Opportunities

The restructuring of the Company and its new focus positions the business into a strong standing to take advantage of the following market opportunities:

- The need for our clients to shift from a traditional marketing focus;
- A desire for clients to measure the impact of their tangible and intangible sales and marketing investments;
- A need for enhanced operational capabilities for clients maximizes their customer acquisition systems and strategies;
- Rethinking the role of our client's marketing functions;
- A desire to deploy enterprise technology across our clients' businesses;
- Providing incremental customer sales activity and expertise to clients without disturbing their operations;
- The need for a unified business intelligence ecosystem that enables all stakeholders to make decisions based on prescriptive and predictive analytics; and
- Support investments in brands by private equity to rapidly deliver sales growth and leverage scalable business models such as franchise or dealer-based businesses.

While the digital consumer engagement space is ever expanding, the Company's ability to activate its customer acquisition programs across both digital and offline mediums, at scale, continues to be a market opportunity for the Company. Clients are continually looking to explore greenfield opportunities to find new customers, utilize rich first party data to target consumers who extend their audience cohorts, and to have a trading partner who can leverage marketing opportunities where costs fluctuate.

The increasing complexities and challenges in the labor market focus our clients on their core product or service development and activation; this shift provides opportunities for the Company to grow our Create, Connect, and Perform capabilities.

The Company's opportunity to pivot its core competency to customer retention and reengagement results creates a scalable market opportunity for us to expand our impact to our clients. The Company expects retention and reengagement solutions to be an incremental revenue opportunity as clients work to maximize their customer acquisition investments.

Competitive Landscape

The Company Business Solutions Pillars, Revenue Segmentation, and solutions mix are most comparable with AdTech and MarTech businesses such as EverQuote, Inc. (NASDAQ: EVER), SelectQuote, Inc. (NYSE: SLQT), LendingTree, Inc. (NASDAQ: TREE), QuinStreet, Inc. (NASDAQ: QNST), Digital Media Solutions, Inc (NASDAQ: DMS), and Fluent, Inc (NASDAQ: FLNT) but with lesser risk exposure to a single industry and Business Solutions Pillars than some of these comparable businesses.

Who We Compete With

Our primary competitors are traditional advertising and creative agencies and digital customer acquisition marketing and media entities. Our competition with our peers is orientated around the value we get for our marketing investment (or our clients'), cost of marketing, cost of technology, addressable media, targeting data costs, scalable media, and consumer engagement and consumer acquisition provenance and compliance. Our competitors can also be our clients who wish to utilize our know how, consumer data, or customer leads for their own monetization. Similarly, our competitors may also be a source of consumer traffic to our customer acquisition programs.

Technology

The Company has, as a result of the Converge Acquisition, acquired and continues to design and develop its technology capabilities and products. We build and provide technology, data, and analytics as part of our overall solutions offerings for current and new clients.

Our continued focus on technology, including our proprietary business intelligence platform Helix, allows us to deploy surveillance systems across our consumer engagement programs to better manage and optimize decisions to enhance cost efficiencies.

The Company deploys internally developed data and software systems as well as third party leading enterprise systems for internal and external projects. The Company utilizes customized and integrated technologies for a variety of workstreams including:

- Consumer engagement management;
- Performance Management;
- Web and mobile ecosystems;
- Media planning and strategy;
- Program optimization; and
- Data aggregation.

The Company continues to build upon its long-standing enterprise data know-how to design and deploy technology systems for itself and its clients to leverage optimization levers to make better business decisions more quickly and to measure the impact of the same.

The Company's focus continues to make data accessible to key stakeholders and to have a solid descriptive and diagnostic analytics foundation to execute predictive and prescriptive business optimizations across all revenue generating programs.

Regulatory

Federal, state, and industry-based regulations impact the businesses of our customers and our partners and, in turn, impact our revenues. Increased regulations can cause customers to reduce their expenditures and thus, their advertising budgets, which can potentially lower our revenues. Changes in consumer privacy laws and the impact of those changes in the digital world can have impacts on the Company and its ability to engage with consumers. The Company's ability to utilize consumer data and transmit consumer preferences to clients and partners are paramount to its success.

Given that we interact with consumers across online and offline mediums, we, along with our partners, clients, and service providers, are subject to many federal and state laws and regulations, including restrictions on the use of unsolicited commercial email, such as the CAN-SPAM Act and state email marketing laws, and restrictions on the use of marketing activities conducted by telephone, including the Telemarketing Sales Rule and the Telephone Consumer Protection Act.

Our business is also subject to federal and state laws and regulations regarding user privacy, search engines, Internet tracking technologies, direct marketing, data security, data privacy, pricing, sweepstakes, promotions, intellectual property ownership and infringement, trade secrets, export of encryption technology, acceptable content and quality of goods, and taxation, among others.

Further, we also operate in certain sectors that have their own compliance and regulatory frameworks such as insurance and legal. In our financial services client vertical, our websites and marketing services are subject to various federal, state, and local laws, including state licensing laws, federal and state laws prohibiting unfair acts and practices, and federal and state advertising laws. The costs of compliance with these regulations and new laws may increase in the future and any failure on our part to comply with such laws may subject us to significant liabilities.

Macroeconomic Conditions

The U.S. economy continues to suffer from the adverse effects of the COVID-19 economic and health crisis. Macroeconomic factors, such as the level of interest rates, credit availability, and the level of unemployment, including during economic downturns and global pandemics, could all have an adverse impact on our customers' costs of services and their demand for our services and our revenues. Any difficulties faced by our customers due to hardships in the economy could cause a reduction in their advertising budgets as they seek to manage expenses in general. Conversely, to an extent, we believe that the digital media advertising industry is also counter-cyclical to macroeconomic conditions since some customers increase their advertising and promotion efforts in times where consumers are more difficult to acquire. This enables us to ease the downward impact on our revenues during a downturn in the economy.

We also believe that we are well suited to take advantage of an economic downturn due to (a) our business being focused on measurable business outcomes versus brand awareness, (b) our trading capabilities across multiple channels and tactics to take advantage of easing media costs, and (c) our ability to leverage sectors that promote financial benefits and costs savings to consumers. We saw growth in the Converge business during the COVID-19 pandemic of approximately $238.0 million for year ended December 31, 2020, and $294.0 million for year ended December 31, 2021, due to the Performance revenue stream promoting clients to test our services due to the financial risk mitigation that this solution offers (pay lead or appointment etc.). In addition, we have also been able to take advantage of consumers being at home who are engaging with our home services and home improvements client offerings.

Intellectual Property

The Company has registered trademarks on the following names: Fundamentals, The Power of Fandom, Entertain Change, and several pending marks. To protect its proprietary rights, the Company relies on a combination of trademark, copyright, trade secret, and other intellectual property laws, employment, confidentiality, and invention assignment agreements with its employees and contractors, and confidentiality agreements and protective contractual provisions with our partners, licensees, and other third parties. The Company owns several hundred brands and URLs that it utilizes to power its core revenue generation activities.

Available Information

Our website is www.troikamedia.com. Interested readers can access, free of charge, our annual reports and transition reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Act, through the SEC website at www.sec.gov and searching with our ticker symbol "TRKA." Such reports are generally available the day they are filed. Upon request, we will furnish interested readers a paper copy of such reports free of charge by contacting Investor Relations at 25 West 39th Street, 6th Floor, New York, New York 10018 or call (212) 213-0111 or by email investorrelations@troikamedia.com.

Item 1A. Risk Factors

Described below are certain risks we believe apply to our business and the industry in which we operate. The risks are categorized using the following headings: risks relating to our business and industry, risks related to our intellectual property, risk related to legal and regulatory matters, risks related to liquidity and capital resources, risks related to financial reporting, and general risk factors. Each of the following risk factors, should be carefully considered in conjunction with other information provided in this Transition Report on Form 10K/T and in other public disclosures. We have sought to identify what we believe to be all material risks and uncertainties to our business and ownership of our common stock, but we cannot predict whether, or to what extent, any of such risks or uncertainties may be realized nor can we guarantee that we have identified all possible risks and uncertainties that might arise. Additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial may also harm our business operations. If any of these risks or uncertainties occurs, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Risks Relating to Our Business and Industry

We are undergoing a transformational reorganization of strategy, governance, and management following the Converge Acquisition.

Since the Converge Acquisition, we have undergone a transformational restructuring of our strategy, governance, and management which require time and pose implementation risks and costs. This transformative event may be impacted by risks associates with the merger of cultures, delay in adoption of new processes, changes in systems and standard operating procedures, and the like. There are risks associated with legacy clients understanding the new strategy and how they will be serviced on a go forward basis. The restructuring poses cost consequences of personnel, office, and systems changes. All these risks may impact our financial performance and may lead to an increase in costs. Management's time and focus in executing the restructuring can lead to a loss of focus on revenues and growth.

We rely on a rapidly changing industry and new business model which makes it challenging to assess our business and our prospects of success.

A significant majority of our revenue is derived from solutions that leverage online, digital and offline industries. These industries are constantly evolving especially as they relate to customer acquisition which is the core of our business. The digital media industry has undergone rapid and dramatic changes in its relatively short history which include evolution in internet media, advertising technologies, privacy and data standards, regulation, and changing consumer visitor and client demands. Our performance solutions model and product offerings have also changed as we continue to adapt to market needs and headwinds. The evolution of our business model, including our products and solutions are also at the early stages in their development and activation.

The industry that we are in does possess risks which can impact our financial performance. These include, but are not limited to, the following:

- Our ability to attract and retain client advertisers, and to generate revenue from them, depends on a number of factors, including the ability of our clients to earn an attractive return on investment from their investment with us.
- Our ability to compete effectively with others for media and consumer engagement.
- Our ability to keep pace with changes in AdTech, MarTech, and general technology capabilities of our competitors.
- Changes in general economic conditions and market dynamics in the United States or in the specific Sectors that we operate in and that we may expand into outside of the United States.
- The impact of COVID-19 pandemic and its aftermath on us and our third-party partners, clients, and the economy cannot be predicted.
- Changes in the regulatory enforcement or legislative environment surrounding digital, online, offline, and technology services.
- Our reliance upon the supply of media and consumer response and in particular, the availability of media, affordability, performance, efficiency, consumer response rates, and the general services that we rely on from our third-party partners.
- We rely on online and internet companies to attract consumers.
- Our ability to accurately forecast results of operations and appropriately plan our expenses across our Revenue Streams and in particular Performance Solutions.

- Our ability to manage cyber security risks and costs associated with maintaining robust security infrastructure.
- Our ability to continually optimize our websites, digital ecosystems, and offline programs to increase consumer response rates and quality of customers for our clients.
- Our ability to develop new solutions, enhancements, and features to meet new demands from our clients and for our internal performance.
- Our ability to implement enhanced products across our business and achieve client adoptions of such products.
- Our ability to successfully challenge regulatory audits, investigations, or allegations of noncompliance with media, privacy, and other laws that govern our industry, Sectors, and solutions.

If we are unable to address these risks, our business, financial performance, overall results of operations, and business prospects could suffer.

We rely on clients to make investments in "Core Functions" including, but not limited to, media, marketing, technology, analytics, creative, and operations.

We rely on our clients investing in Core Functions for our two revenue streams. We expect to derive the vast majority of our revenue in delivering Managed Service and Performance Solutions that generate qualified consumer inquiries such as clicks, leads, calls, applications, retainers, cases, customers, and sales. Our clients will reduce or end their investment if they do not generate the desired business results. The failure of our solutions (including our strategies, technologies, and campaign management) to effectively match our clients' products and services with our digital and offline audiences in a manner that results in increased revenue for our clients could have an adverse impact on our ability to maintain or increase our revenue from investments.

Even if our solutions are effectively executed, our current (and future) clients may not continue to make investments due to competition, disintermediation, and other industry risks. For example, macroeconomic conditions such as an economic downturn or public health crises (such as the COVID-19 pandemic and the Russia-Ukraine military conflict) may impact our client Investments in the short-term and potentially in the long-term. If any of our clients decided not to continue to make investments with us and utilize our solutions due to changes in the industry and competitive landscape, the Company could experience a rapid decline in its revenue over a relatively short period of time.

A reduction in the efficiency of the Company's solutions across all Revenue Categories may negatively impact the Company's investment in its Performance Solution. An increase in media or activation costs, a reduction in campaign performance, a fall in consumer response rates, reduction in the value of those consumers to our clients will decrease revenues and impact the financial performance of the Company.

Customer concentration risks for our business

For the transition period ended December 31, 2022, and for the fiscal years ended June 30, 2022 and 2021, six (6) customers accounted for 85.5%, 74.1%, and 42.4%, respectively, of our net revenues. To the extent that any large customer fails to meet its purchase commitments, changes its ordering patterns or business strategy, or otherwise reduces its purchases or stops purchasing our products or services, or if we experience difficulty in meeting the demand by these customers for our products or services, our revenues and results of operations could be adversely affected.

We do not have long term agreements with our clients.

Because the majority of our contracts with our clients do not have fixed commitments, these clients have the ability to unilaterally terminate their agreements with us, pause their campaigns, or materially reduce the amount of business they conduct with us at any time, with little or no prior notice. There is no guarantee that we will be able to retain or renew existing agreements with any of our clients on acceptable terms, or at all. Moreover, some of our clients seek specific sub-sets of consumers and, despite the return they are able to achieve on the leads we provide, may not renew their agreements with us because we are unable to provide significant additional user profiles that meet their criteria.

Additionally, because of the nature of our Performance Solutions engagements, we typically bear the costs of purchasing media, data, and applications without the assurance of any revenue by any particular client. We must be able to generate more revenue from consumers than our cost of goods and services used to acquire such consumers in order to be profitable. Our ability to do so is dependent on many factors, including having the right media strategy, sources to drive consumers who engage with our sites and call center partners, providing content and experiences that retain consumer attention, and displaying relevant advertisements and other content to consumers. Other factors, some of which are outside of our control, such as competition, changing consumer tastes, and general economic conditions, may inhibit our ability to operate our business profitably, which could adversely affect our results of operations.

Our clients don't work exclusively with us and are open to working with competitors.

In most cases, our clients are able to work with our competitors as we do not have exclusivity where they deem it to be viable based on the particular solution that we are providing.

We rely on our management team and other key employees, and the loss of one or more key employees could harm our business.

Our success and future growth depend upon the continued services of our management team, and other key employees in all areas of our organization. From time to time, there may be changes in our key employees resulting from the hiring or departure of executives and employees, which could disrupt our business. We have, in the past, experienced declines in our business and a depressed stock price, making our equity and cash incentive compensation programs less attractive to current and potential key employees. If we lose the services of key employees or if we are unable to attract and retain additional qualified employees, our business and growth could suffer.

Litigation could distract management, increase our expenses, or subject us to material money damages and other remedies.

We may be involved from time to time in various additional legal proceedings, including, but not limited to, actions relating to breach of contract, breach of federal and state privacy laws, and intellectual property infringement that might necessitate changes to our business or operations.

Regardless of whether any claims against us have merit, or whether we are ultimately held liable or subject to payment of damages, claims may be expensive to defend and may divert management's time away from our operations. If any legal proceedings were to result in an unfavorable outcome, it could have a material adverse effect on our business, financial position, and results of operations. Any adverse publicity resulting from actual or potential litigation may also materially and adversely affect our reputation, which in turn could adversely affect our results.

Our client investment and business needs are often subject to seasonality and may fluctuate significantly during the course of the year.

Our financial results are also subject to fluctuation as a result of seasonality and cyclicality in our client businesses. Some of our clients have lower investment budgets during the first and second calendar year quarters. The costs to acquire media from media or data service providers is also subject to seasonal variability with costs typically increasing in the fourth quarter. Our results of operations have in the past been adversely affected when we were unable to mitigate fluctuations in the price and availability of media, data, and consumers, and similar effects may occur in the future.

Certain clients have investment budgets that are not consistent during any given period. On occasion, we must react to client shortfalls in areas such as performance, inventory, and business targets. As a result, we are, from time to time, required to respond to investment increases at the end of a month, quarter, or year. Beyond these budgetary constraints and investment patterns of our clients, other factors affecting our business may include macroeconomic conditions affecting the digital and offline media industry and the various market Sectors that we serve. Poor macroeconomic conditions could decrease our clients' investments and, thereby, have a material adverse effect on our business and results of operations.

Our failure to compete effectively against other digital and offline marketing alternatives or meet performance metrics required by our clients could adversely impact our business and results of operations may be harmed.

The market for digital and offline marketing is intensely competitive, and we expect this competition to continue and to even increase in the future, both from existing and new competitors. We compete for clients against other digital and offline marketing companies on the basis of a number of factors, including return on advertising spend ("ROAS") or Cost of Marketing ("COM") of our client's investments, price, client service, and sector standing. When our clients experience a reduction in their investment budgets, newer media sources such as those we offer can often be the first expenditures to be cut, as well as creative and event services. Our clients have expectations as to the ROAS and COM of their media spend, as well as the quality and conversion rates of the consumers that we generate, and they choose to do business with us based on these metrics. Our value is that we measure our performance which provides our clients multi-touch performance analysis of our solutions throughout the consumer journey and sales funnel.

The expectations of our clients may change over time, and the ROAS or COM or consumer leads that we supply to our clients may not always meet these expectations. Conversion rates for consumer leads can be impacted by factors other than the lead quality, many of which are outside our control, such as the competition in our clients' industries, our clients' sales practices, availability of our clients' services and products, our clients' ability to contact consumers, and value propositions. Lower consumer conversion rates could be even more likely as we expand our services and relationships with our clients by moving our performance metrics further down our clients' sales funnels all the way to a customer sale.

If the market for offline customer acquisition services fails to continue to develop, our success may be limited, and could harm our business, financial condition, and results of operations.

We rely heavily on offline marketing service providers, programs, and vehicles. Our financial performance is dependent on the positive evolution of the offline marketing industry and the cost of media, paper, printing, and production continuing to be favorable. We rely on consumers to respond to offline media campaigns across TV, print, and other offline engagement channels.

Publicity issues and the perception of our industry may damage our reputation, which could harm our business, financial condition, and results of operations.

With the growth of online advertising, there is increasing awareness and concern among the general public, privacy advocates, mainstream media, governmental bodies, and others regarding online marketing, advertising, telecommunications, and privacy matters, particularly as they relate to individual privacy interests. Certain other companies within our industry may engage in activities that others may view as unlawful or inappropriate. These activities by third parties, including our competitors, or even companies in other data-focused industries, may be seen as indicative of the behavior of our industry as a whole, which may thereby harm the reputation of all participants in our industry, including us. Additionally, smaller competitors frequently design their websites to look like they are owned and operated by us. If these competitors engage in noncompliant activities, it can have a particularly damaging impact on our relationships with our users and/or clients.

In addition, from time to time, we have been and may in the future be subject to investigations, inquiries, or litigation by various regulators and claimants, which may harm our reputation, regardless of the outcome of any such action. Any damage to our reputation, including from publicity from legal proceedings against us or companies that work within our industry, governmental proceedings, class action litigation, or the disclosure of information security breaches or private information misuse, may adversely affect our business, financial condition, and results of operations

We rely on third-party digital and offline media sources, including strategic partners, for a significant portion of our revenue. Any decline in the supply of media, clicks, leads, and other consumer touchpoints available through these third-party websites could cause our revenue to decline or our cost to reach visitors to increase.

A significant portion of our revenue is attributable to consumer traffic or calls originating from third-party partners across the online and offline mediums. In many instances, third-party partners can change the media inventory they make available to us at any time in ways that could impact our campaign performance and revenue. Our third-party partners are exclusive to us. In addition, third-party partners may place significant restrictions on our offerings generally or have conflicts with other clients. These restrictions may prohibit advertisements from specific clients or specific industries or restrict the use of certain creative content or formats. If a third-party partner decides not to make its channel or inventory available to us, demands a higher cost, or places significant restrictions on the use of such inventory, we may not be able to find media inventory from other sources to satisfy our requirements in a timely and cost-effective manner.

The consolidation of Internet advertising networks and third-party media service providers could eventually lead to a concentration of desirable inventory on websites or networks owned by a small number of individuals or entities, which could limit the supply or impact the pricing of inventory available to us. In the past, we have experienced declines in our home services Sector primarily due to volume declines caused by losses of available media from third-party service providers acquired or retained by our competitors, changes in search engine algorithms which reduced or eliminated traffic from some third-party service providers, and increased competition for quality media. We cannot assure you that we will be able to acquire media inventory that meets our clients' performance, price, and quality requirements, in which case our revenue could decline, or our operating costs could increase, and is financially viable.

Risks associated with digital algorithms and consumer engagement ecosystems have previously posed a negative impact on our business and the industry that we are in. These risks may arise again which can have a negative impact on the consumers that we are able to reach, their engagement with our brands or offers, their ability to visit our digital ecosystems, and the increased costs of and occasioned by these issues.

Search engines, social media platforms, and other online sources often revise their algorithms and introduce new advertising products. If one or more of the search engines or other online sources on which we rely for website traffic were to modify its general methodology for how it displays our advertisements, resulting in fewer consumers clicking through to our websites, our business could suffer. In addition, if our online display advertisements are no longer effective or are not able to reach certain consumers due to consumers' use of ad-blocking software, our business could suffer.

If one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise, and we could lose consumer traffic to our websites. A decrease in consumer traffic to our websites, for any reason, could have a material adverse effect on our business, financial condition, and results of operations. Consumer traffic to our websites and the volume of sales generated by consumer traffic varies and can decline from to time. Additionally, even if we are successful in generating traffic to our websites, we may not be able to convert these visits into consumer sales.

We currently compete with numerous other online marketing companies, and we expect that competition will intensify. Some of these existing competitors may have more capital or complementary products or services than we do, and they may leverage their greater capital or diversification in a manner that adversely affects our competitive position. In addition, other newcomers, including major search engines and content aggregators, may be able to leverage their existing products and services to our disadvantage. We may be forced to expend significant resources to remain competitive with current and potential competitors. If any of our competitors are more successful than we are at attracting and retaining consumers, or if we are unable to effectively convert visits into consumer sales, our business, financial condition, and results of operations could be materially adversely affected.

Any legal liability for the information we communicate to consumers could harm our business and operating results.

Consumers may rely upon information we communicate regarding our client products and services, including information relating to insurance, coverage, benefits, exclusions, limitations, availability, consumer legal cases, liability events, legislation, and the like. If we provide inaccurate information or information that could be construed as misleading, we could be found liable for related damages and our relationships with our clients could suffer.

We could lose revenue and clients if we fail to adequately detect click-through or other fraud on advertisements.

We are exposed to the risk of fraudulent consumer clicks or actions on our websites or our third-party partner websites, which could lead our clients to become dissatisfied with our campaigns and, in turn, lead to a loss of clients and related revenue. Our clients may also receive consumer leads that are spam or fraudulent that can have financial implications. Additionally, we have terminated and may, in the future, terminate our relationships with third party partners who we believe to have engaged in fraud or suspicious activities. We may not be able to replace the terminated partners with new partners which could result in a reduction in traffic to our sites and registrations.

We are exposed to online data privacy and security risks particularly given that we gather, transmit, and store personally identifiable information ("PII"). A failure to maintain adequate reasonable safeguards to protect the security, confidentiality, and integrity of PII including failure to develop, implement, and support our technology infrastructure and assessment processes, we may be in breach of our commitments to our clients and consumers. Unauthorized access to or accidental disclosure of confidential or proprietary data in our network systems, including via ransomware attacks, may cause us to incur significant expenses and may negatively affect our reputation and business.

Most of our services are web-based and online performance marketing relies on structured and unstructured consumer data. As a result, the amount of data stored on our servers has been increasing. We gather, transmit, and store information about our users and marketing and media partners, including PII. This information may include financial, health, and other behavioral information, some of which is held or managed by our third-party vendors. As a result, we are subject to certain contractual terms, including third-party security reviews, as well as federal, state, and foreign laws and regulations designed to protect PII. Complying with these contractual terms and various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

In addition, our existing security measures may not be successful in preventing security breaches. As we grow our business, we expect to continue to invest in technology services, hardware, and software. Creating the appropriate security support for our technology platforms is expensive and complex, and our execution could result in inefficiencies or operational failures and increased vulnerability to cyber-attacks.

We may also make commitments to our clients regarding our security practices in connection with clients' due diligence. If we do not adequately implement and enforce these security policies to the satisfaction of our clients, we could be in violation of our commitments to our clients and this could result in a loss of client confidence, damage to our reputation, and loss of business. Despite our implementation of security measures and controls, our information technology and infrastructure are susceptible to circumvention by an internal party or third-party, such that electronic or physical computer break-ins, cyber-attacks, malware, ransomware, viruses, social engineering (including phishing attacks), fraud, employee error, and other disruptions and security breaches that could result in third-parties gaining unauthorized access to our systems and data.

We may be unable to anticipate all our vulnerabilities and implement adequate preventative measures and, in some cases, we may not be able to immediately detect a security incident. In the past, we have experienced security incidents involving access to our databases.

Although to our knowledge no sensitive financial or personal information has been compromised and no statutory breach notification has been required, any future security incidents could result in the compromise of such data and subject us to liability or remediation expense or result in cancellation of client contracts. Any security incident may also result in a misappropriation of our proprietary information or that of our users, clients, and third-party service providers, which could result in legal and financial liability, as well as harm to our reputation. Any compromise of our security could limit the adoption of our products and services and have an adverse effect on our business.

Other risks include:

- Any publicized security problems could negatively affect consumers' willingness to provide private information on the Internet generally, including through our services.
- A security breach at any third-party could be perceived by consumers as a security breach of our systems and in any event could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability, and subject us to regulatory penalties and sanctions. In addition, such third parties may not comply with applicable disclosure or contractual requirements, which could expose us to liability.

- We could incur significant costs for which our insurance policies may not adequately cover us and expend significant resources in protecting against security breaches and complying with the multitude of state, federal, and foreign laws regarding data privacy and data breach notification obligations.
- We may need to increase our security-related expenditures to maintain or increase our systems' security or to address problems caused and liabilities incurred by security breaches.

We have long sales cycles, which can result in significant time between initial contact with a prospect and execution of a client agreement, making it difficult to project when, if at all, we will obtain new clients and when we will generate revenue.

Our sales cycle, from initial contact to contract execution and implementation can take significant time. Some of our clients undertake an evaluation process that frequently involves analysis of our competitors. As a result, it is difficult to predict when we will obtain new clients and begin generating revenue. We also rely on creating new programs that require architecture and investment before we can attract new clients. In addition, to increase revenue in our Performance Solutions, we take time to analyze and assess new opportunities and enter engagements on testing basis that can take up to twelve (12) months before we are able to generate revenue. As a result, we may not be able to add clients, or generate revenue, as quickly as we may expect, which could harm our revenue growth rates.

Our past growth or the past growth in our sectors or by our competitors may not be indicative of future growth, and our revenue growth rate may decline in the future.

Our past growth may not be indicative of our future growth, and our revenue growth rate may decline in the future. This growth may not be indicative of our future growth, if any, and we will not be able to grow as expected, or at all, if we do not accomplish the following:

- Increase the number of consumers using our solutions;
- Maintain and expand the number of clients using our solutions;
- Further improve the quality of our products and solutions and introduce high-quality new products;
- Increase the number of visitors to our digital ecosystems;
- Timely adjust marketing expenditures in relation to changes in demand for the underlying products and services offered by our advertisers;
- Maintain brand recognition and effectively leverage our brand;
- Attract and retain management and other skilled personnel for our business. Our revenue growth rates may also be limited if we are unable to retain high caliber employees;
- Market penetration rates as we experience increased competition. If our revenue or revenue growth rates decline, investors' perceptions of our business may be adversely affected, and the market price of our common stock could decline; and
- Our ability to reorganize the business operations and deploy our new strategy since the Converge Acquisition.

If our emails are not delivered and accepted or are routed by email providers less favorably than other emails, or if our sites are not accessible or treated disadvantageously by internet service providers, our business may be substantially harmed.

If email providers or internet service providers ("ISPs") implement new or more restrictive email or content delivery or accessibility policies, including with respect to net neutrality, it may become more difficult to deliver emails to consumers or for consumers to access our websites and services. For example, certain email providers, including Google, may categorize our emails as "promotional," and these emails may be directed to an alternate, and less readily accessible, section of a consumer's inbox.

If email providers materially limit or halt the delivery of our emails, or if we fail to deliver emails to consumers in a manner compatible with email providers' email handling or authentication technologies, our ability to contact consumers through email could be significantly restricted. In addition, if we are placed on "spam" lists or lists of entities that have been involved in sending unwanted, unsolicited emails, our operating results and financial condition could be substantially harmed. Further, if ISPs prioritize or provide superior access to our competitors' content, our business and results of operations may be adversely affected.

If we are unable to develop new offerings, achieve increased consumer adoption of those offerings, or penetrate new vertical markets, our business and financial results could be adversely affected.

Our success depends on our continued innovation to provide products and solutions that increase our consumer engagement, increase first party data, and build enterprise value in our brands. These new offerings must be widely adopted by consumers for us to continue to attract clients. Accordingly, we must continually invest resources in product, technology, and business development in order to improve the comprehensiveness and effectiveness of our solutions.

Entry into new sectors may have specific risks associated with them and a learning curve that will cost money and focus. If we fail to penetrate new sectors successfully, our revenue may grow at a slower rate than we anticipate, and our financial condition could suffer.

We are a holding company and our only material assets are in our subsidiaries and the revenue and income that they generate.

Our material assets are contained within our subsidiaries that generate the revenues for the Company. Our assets are encumbered by our Senior Secured Lender.

Risk Related to our Intellectual Property

If we do not adequately protect our intellectual property rights, our competitive position in the marketplace and business may suffer.

Our business depends on our intellectual property, the protection of which is crucial to the success of our business. We rely on a combination of trademark, trade secret, and copyright law and contractual restrictions to protect our intellectual property. We attempt to protect our intellectual property, technology, and confidential information by requiring our employees and consultants to enter into confidentiality and assignment of inventions agreements and third parties to enter into non-disclosure agreements as we deem appropriate.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our digital ecosystems, product features, software, and functionality or obtain and use information that we consider proprietary. We may not be able to discover or determine the extent of any unauthorized use or infringement or violation of our intellectual property or proprietary rights. Third parties also may take actions that diminish the value of our proprietary rights or our reputation in the way that they use our brands. The protection of our intellectual property may require the expenditure of significant financial and managerial resources.

Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation could be costly, time-consuming, and distracting to management, resulting in a diversion of resources, the impairment or loss of portions of our intellectual property, and could materially adversely affect our business, financial condition, and operating results. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. These steps may be inadequate to protect our intellectual property. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to use information that we regard as proprietary to create product offerings that compete with ours.

We currently own and maintain a large amount of domain names. The regulation of domain names in the United States is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. In addition, there is an active market in desirable domain names and our ability to purchase such domains would be subject to market conditions. As a result, we may not be able to acquire or maintain all domain names that use the name of our brands.

The Company may face litigation and liability due to claims of infringement of third party-intellectual property rights.

From time to time, third parties may allege that we have infringed the trademarks, copyrights, patents, and other intellectual property rights, including from our competitors or non-practicing entities. Such claims, regardless of their merit, could result in litigation or other proceedings and could require us to expend significant financial resources and attention by our management and other personnel that otherwise would be focused on our business operations, result in injunctions against us that prevent us from using material intellectual property rights, or require us to pay damages to third parties. Intellectual property litigation may be protracted and expensive, and the results are difficult to predict and may result in significant settlement costs or require us to stop offering some features, or purchase licenses or modify our products and features while we develop non-infringing substitutes, but such licenses may not be available on terms acceptable to us or at all, which would require us to develop alternative intellectual property.

As a distributor of digital media content, we face liability and expenses for legal claims based on the nature and content of the materials that we create or distribute, including materials provided by third parties. If we are required to pay damages or expenses in connection with these legal claims, our business and results of operations may be harmed.

We display original content and third-party content on our websites and in our marketing messages. As a result, we have faced and will continue to face potential liability based on a variety of theories, including deceptive advertising and copyright or trademark infringement. We generally rely on the "fair use" exception for our use of third-party brand names and marks, but these third parties may disagree, and the laws governing the fair use of these third-party materials are imprecise and adjudicated on a case-by-case basis. We also create content we believe to be original for our websites. While we do not believe that this content infringes on any third-party copyrights or other intellectual property rights, owners of competitive websites that present similar content have taken and may take the position that our content infringes on their intellectual property rights.

We are also exposed to risk that content provided by third parties is inaccurate or misleading, and for material posted to our websites by users and other third parties. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merit of these claims. The general liability and cyber/technology errors and omissions insurance we maintain may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance, or is more than insurance coverage, could materially adversely affect our business, financial condition, and results of operations.

Risk Related to Legal and Regulatory Matters

The failure of Blue Torch to agree to the release of the Converge Holdback Escrow exposes us to potential liability and our Chief Executive Officer to a potential conflict of interest.

At the Closing of the Converge Acquisition, $29.1 million of the $76.5 million proceeds, under the Credit Facility were escrowed pending the delivery to Blue Torch Finance LLC ("Blue Torch") of the audited financial statements of Converge Direct LLC and affiliates for the years ended December 31, 2020 and 2019. The Converge Sellers agreed to accept a portion of the purchase price in the form of the right to the escrowed funds (the "Converge Holdback"). Delivery of such financial statements was completed during the quarter ended June 30, 2022; however, Blue Torch has not consented to the release of the escrowed funds as required by the Escrow Agreement. See "Business Overview – Description of our Business – Converge Acquisition."

As a result, we face potential liability in the event that the Converge Sellers choose to sue us for the unpaid portion of the purchase price and/or for failure to obtain the release of the escrow of the Converge Holdback. There can be no assurance that the Company would be successful in defending any such suit, and an adverse judgment could have a material adverse effect on the liquidity and financial condition of the Company.

In addition, our Chief Executive Officer, in his capacity as a Converge Seller, is entitled to approximately $4.7 million of the Converge Holdback upon its release from escrow. Therefore, the interests of the Chief Executive Officer in negotiating with Blue Torch may be different from the interests of the Company and its stockholders. Although the Chief Executive Officer has agreed to recuse himself from all decisions relating to the release of the Converge Holdback from escrow, the risk remains that such conflict of interest could result in agreements with Blue Torch that are less favorable than those that would have been obtained in the absence of such conflicts of interest.

Our ability to collect information from consumers may be limited due to technology and data changes from digital companies due to privacy or other operational shifts in strategy.

Our business relies on the collection of consumer information and tracking web activity of those visitors in our digital ecosystems as well as data derived by other service providers relating to consumers. If regulation prohibits us from collecting rich first party data, our ability to execute our solutions may be compromised and our revenues may be adversely impacted. Fundamental changes in technology and regulation that impacts our information collection processes will also impact the efficiency of our consumer acquisition campaigns and our ability to cross sell products and services to our consumers.

Federal and state laws regulating telephone, email, and messaging marketing practices impose certain obligations on advertisers, which could reduce our ability to expand our business.

Our industry and sectors are heavily regulated. We are, and may in the future become, subject to a variety of federal, state, and local laws, many of which are unsettled and still developing, and which could subject us to claims or otherwise harm our business.

Our activities are subject to extensive regulation under the laws of the United States and its various states and the other jurisdictions in which we operate. We are currently subject to a variety of, and may in the future become subject to additional, federal, state, and local laws that are continuously evolving and developing, including laws regarding internet-based businesses and other businesses that rely on advertising, as well as privacy and consumer protection laws, including the TCPA, the Telemarketing Sales Rule, the CAN-SPAM Act, the Fair Credit Reporting Act, the Federal Trade Commission Act, and employment laws, including those governing wage and hour requirements. In addition, there is increasing attention by state and other jurisdictions to regulation in this area. These laws are complex and can be costly to comply with, require significant management time and effort, and could subject us to claims, government enforcement actions, civil and criminal liability, or other remedies, including suspension of business operations. These laws may conflict with each other, further complicating compliance efforts.

If we are alleged not to comply with these laws or regulations, we may be required to modify affected products and services, which could require a substantial investment and loss of revenue or cease providing the affected product or service altogether. If we are found to have violated laws or regulations, we may be subject to significant fines, penalties, and other losses.

We could be required to fundamentally change our business activities and practices or modify our products and solutions, which could have an adverse effect on our business. We may be unable to make such changes and modifications in a commercially reasonable manner or at all, and our ability to develop new products and features could be limited. All of this could impair our or our clients' ability to collect, use, or disclose information relating to consumers, which could decrease demand for our platforms, increase our costs, and impair our ability to maintain and grow our client base and increase our revenue.

Risks Related to Liquidity and Capital Resources

The Company is currently operating under a Limited Waiver of certain Events of Default under its Credit Agreement. Failure to comply with the terms of the Limited Waiver or to cure the Events of Default could have a material adverse effect on the Company.

On February 10, 2023, Blue Torch and the Company entered into an Amended and Restated Limited Waiver (the "A&R Limited Waiver") of certain events of default (such events of default, the "Specified Events of Default") under the Financing Agreement dated March 21, 2022, by and among the Company, the lenders from time-to-time party thereto (the "Lenders"), and Blue Torch as collateral agent and administrative agent for the Lenders (the "Financing Agreement"). The A&R Limited Waiver provides that, among other things, during the Waiver Period (defined below), the Company will comply with certain sale and refinancing milestones and refrain from engaging in any "Permitted Acquisition" under the Financing Agreement or making certain post-closing payments to the sellers of the Converge business.

The A&R Limited Waiver will expire on the earliest of (x) the occurrence of an Event of Default under the Financing Agreement that is not a Specified Event of Default, (y) a failure by the Company to comply with certain sale and refinancing milestones set forth in a side letter agreed by the Company and the Lenders and (z) June 30, 2023, subject to potential extension of up to 60 days to obtain regulatory and/or shareholder approval in the event the Company is pursuing a sale transaction (the "Waiver Period").

If the Company is unsuccessful in curing the Specified Events of Default, renegotiating the terms of the Financing Agreement, or other satisfying the Financing Agreement prior to the expiration of the Waiver Period, the Lenders under the Financing Agreement could accelerate the indebtedness under the Financing Agreement and seek to exercise other remedies. Any such action would likely have a material adverse effect on the Company and its financial condition.

Covenants in our Credit Facility impose restrictions that may limit our operating and financial flexibility. The Financing Agreement contains many significant restrictions, negative and affirmative covenants that may limit our operating and financial flexibility. The Financing Agreement presents a risk of default.

The Company entered a Credit Facility on March 21, 2022, concerning a first lien term loan of $76.5 million with a senior secured lender. The Financing Agreement contains negative covenants that, among other things, limit our ability to:

- Incur indebtedness;
- Grant liens on its assets;
- Make certain investments;
- Incur certain expenses and limits;
- Engage in mergers or acquisitions;
- Dispose of assets;
- Enter certain transactions; and
- Make certain restricted payments.

The Financing Agreement contains certain affirmative covenants and customary events of default provisions, including, subject to thresholds and grace periods, among others, payment default, covenant default, and judgment default. Each of these limitations are subject to various conditions.

In addition, the Financing Agreement contains financial covenants, which require us to maintain minimum total leverage ratios and fixed charge coverage ratios. The applicable interest rate on the facility may increase which would result in our interest expenses going up.

These covenants could materially adversely affect our ability to finance our future operations or capital needs. Furthermore, they may restrict our ability to expand and pursue our business strategies and otherwise conduct our business. Our ability to comply with these covenants may be affected by circumstances and events beyond our control, such as prevailing economic conditions and changes in regulations, and we cannot provide any assurance that we will be able to comply with such covenants. These restrictions also limit our ability to obtain future financings or to withstand a future downturn in our business or the economy in general. In addition, complying with these covenants may also cause us to take actions that may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

A breach of any covenant in the Financing Agreement or the agreements governing any other indebtedness that we may have outstanding from time to time would result in a default under that agreement after any applicable grace periods. A default, if not waived in full or limited basis, could result in an acceleration of the debt outstanding under the Financing Agreement and in a default with respect to, and an acceleration of, the debt outstanding under other debt agreements. If that occurs, we may not be able to make all the required interest and capital payments or borrow sufficient funds to refinance such debt. Even if new financing were available at such time, it may not be on terms that are acceptable to us or terms as favorable as our current agreements. If our debt is in default for any reason, our business, financial condition, and results of operations could be materially and adversely affected.

The conversion of our outstanding Convertible Series E Preferred stock and exercise of our warrants could depress our stock price and dramatically dilute shareholders.

The Company has substantial derivative securities outstanding which is likely create an overhang on the price at which the Company's stock may trade. As of December 31, 2022, the Company had 310,793 shares of Series E Convertible Preferred Stock outstanding with an aggregate liquidation preference of approximately $31.1 million. The Series E Preferred Stock is convertible into the Company's common stock at a conversion price of $0.25 per share, and is thus convertible into an additional 124,317,000 shares of common stock. In addition, there are warrants to acquire 266,666,640 shares of common stock outstanding with an exercise price of $0.25 per share. The Company also has additional stock options, stock warrants and restricted stock units outstanding for a total of 11,384,000 shares of common stock. The large number of shares of common stock potentially issuable upon conversion of the Series E Preferred Stock and the exercise of stock options and warrants would have the effect of diluting the ownership interest of the outstanding Common Stock and will likely adversely affect the price at which the Common Stock trades.

The Company's failure to register the resale of the shares of Common Stock underlying the Series E Preferred Stock has subjected the Company to liquidated damages and could subject it to additional liability.

The shares of Series E Preferred Stock and Warrants and the shares of Common Stock issuable upon conversion of the Series E Preferred Stock and the exercise of the Warrants (collectively, the "Securities") issued in March 2022 were not initially registered under the Securities Act of 1933, as amended. Pursuant to a Registration Rights Agreement with the Purchasers dated March 16, 2022 (the "Registration Rights Agreement"), the Company committed to file with the Securities and Exchange Commission (the "SEC") an initial Registration Statement concerning the Securities within ten (10) business days of the March 21, 2022, closing date, which initial Registration Statement was required to be declared effective within forty-five (45) days of the filing date or ninety (90) days if there is a "full review by the SEC".

While the Company filed a Registration Statement on Form S-1 (the "Form S-1") concerning the Securities to satisfy the requirements of the Registration Rights Agreement, the Form S-1 was not declared effective and was ultimately withdrawn. As a result, the Company is required under the terms of the Registration Rights Agreement to pay to the Purchasers a partial liquidated damages penalty for failure to meet the effectiveness date requirement, which is equal to 14% of the subscription amount, of which $3.6 million remains unpaid. The holders of the Securities could seek to pursue payment of the unpaid liquidated damages and/or other remedies which could have a material adverse effect on the Company and its financial condition.

Our Strategic Review May Not Result in an Executed or Consummated Transaction or Other Strategic Alternative, and the Process of Reviewing Strategic Alternatives or its Conclusion Could Adversely Affect our Business and Our Stockholders.

On February 22, 2023, we announced that our Board of Directors has initiated a review and evaluation of strategic options, in consultation with our financial and legal advisors, with the intent to unlock and maximize stockholder value. We are actively working with financial advisors and legal counsel in connection with this strategic review process.

Any potential transaction or other strategic alternative would be dependent on a number of factors that may be beyond our control, including, among other things, market conditions, industry trends, regulatory approvals, and the availability of financing for a potential transaction on reasonable terms. The process of reviewing potential strategic alternatives may be time consuming, distracting and disruptive to our business operations, which may cause concern to our current or potential employees, investors, strategic partners and other constituencies and may have a material impact on our business and operating results and/or result in increased volatility in our share price. We have and will continue to incur substantial expenses associated with identifying, evaluating and negotiating potential strategic alternatives. Further, the process may affect our ability to recruit and retain qualified personnel, business partners, and other stakeholders important to our success. There can be no assurance that any potential transaction or other strategic alternative, if consummated, will provide greater value to our stockholders than that reflected in the price of our common stock. Until the review process is concluded, perceived uncertainties related to our future may result in the loss of potential business opportunities and volatility in the market price of our common stock.

We do not intend to, and may be unable to pay, cash dividends for the foreseeable future.

We have never declared or paid cash dividends on our common stock and we do not expect to declare or pay any cash dividends in the foreseeable future. Additionally, our Financing Agreement prohibits us from paying cash dividends on our common stock and contains limitations on our ability to redeem or repurchase shares of our common stock. As a result, you may only receive a return on your investment in our common stock if the trading price of your shares increases.

If we are not able to continue to meet the Nasdaq Capital Market rules for continued listing, our common stock or warrants could be delisted.

Our common stock and warrants are listed on the Nasdaq Capital Markets. In order to maintain compliance with Nasdaq Listing Rules, we must satisfy minimum financial and other reporting, governance requirements, failure of which could result in a delisting of our common stock, which could adversely affect the market liquidity of our common stock, our ability to obtain financing to repay debt and fund our operations.

On May 20, 2022, the Company received notice from Nasdaq that it had failed to maintain a minimum bid price of $1 per share based on the closing bid price for the thirty (30) consecutive business days preceding May 20, 2022, and thus it has failed to meet a Nasdaq Listing Rules. On November 17, 2022, the Company received a letter from Nasdaq and was provided 180 calendar days, or until May 15, 2023, to regain compliance with the Minimum Bid Price Rule.

Under the terms of the agreements pursuant to which the Series E Preferred Stock was issued, the Company is prohibited from engaging in a reverse stock split, which is the typical technique for remedying the failure to meet the bid price rule. Thus, the Company will be required to either obtain a waiver of such restriction, or if such waiver is not obtained to breach such agreements or to face delisting of the Common Stock from Nasdaq.

Volatility in the trading price on Nasdaq of our common stock and warrants.

Our stock price has been volatile and may be volatile in the future. We may incur rapid and substantial increases or decreases in our stock price in the foreseeable future attributable to various factors including those discussed in these "Risk Factors" and may be unrelated to our operating performance or prospects and some of which are beyond our control. As a result of this volatility, investors may experience losses on their investment in our common stock. The market price for our common stock may be influenced by many factors that are both in and out of our control including economic, market, industry, governance, management, operations, etc.

Broad factors may seriously harm or harm the market price of our common stock, regardless of our operating performance. Further, increases or decreases may be inconsistent with any improvements in actual or expected operating performance, financial condition, or other indicators of value. Since the stock price of our common stock has been volatile and may be volatile in the future, investors in our common stock could incur substantial losses. In the past, following periods of volatility in the market, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business, financial condition, results of operations, and growth prospects. There can be no guarantee that our stock price will remain at current prices or that future sales of our common stock will not be at prices lower than those sold to investors.

We may require additional capital in the future to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances.

While we anticipate that our existing cash and cash equivalents should be sufficient to fund our operations for at least the next twelve (12) months, we may need to raise additional capital, including debt capital, to fund operations in the future or to finance acquisitions. If we seek to raise additional capital in order to meet various objectives, including developing future products, increasing working capital, acquiring businesses, and responding to competitive pressures, capital may not be available on favorable terms or may not be available at all. Lack of sufficient capital resources could significantly limit our ability to take advantage of business and strategic opportunities. Any additional capital raised through the sale of equity or debt securities with an equity component would dilute our stock ownership. If adequate additional funds are not available, we may be required to delay, reduce the scope of, or eliminate material parts of our business strategy, including potential additional acquisitions or development of new technologies.

Risks Related to Financial Reporting

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis or effectively prevent fraud could be impaired, which would adversely affect our ability to operate our business.

In order to comply with the Sarbanes-Oxley Act of 2002 ("SOX Act"), our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States. We may in the future discover areas of our internal financial and accounting controls and procedures that need improvement. Our internal control over financial reporting will not prevent or detect all error and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. All control systems have inherent limitations, and, accordingly, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected. If we are unable to maintain proper and effective internal controls, we may not be able to produce accurate financial statements on a timely basis, which could adversely affect our ability to operate our business and could result in regulatory action.

If we identify material weaknesses in our internal control over financial reporting or otherwise fail to maintain an effective system of internal control over financial reporting, the accuracy and timeliness of our financial reporting may be adversely affected.

We must maintain effective internal control over financial reporting to accurately and timely report our results of operations and financial condition. In addition, the SOX Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting as of the end of our fiscal year, and the effectiveness of our disclosure controls and procedures quarterly. If we are not able to comply with the requirements of the SOX Act in a timely manner, the market price of our stock could decline and we could be subject to sanctions or investigations by Nasdaq, the SEC, or other regulatory authorities, which would diminish investor confidence in our financial reporting and require additional financial and management resources, each of which may adversely affect our business and operating results.

We may be required to record a significant charge to earnings if our goodwill or intangible assets become impaired.

We have a substantial amount of goodwill and purchased intangible assets on our consolidated balance sheet because of acquisitions. Events and conditions that could result in impairment of our goodwill and intangible assets include adverse changes in the regulatory environment, a reduced market capitalization, or other factors leading to reduction in expected long-term growth or profitability.

General Risk Factors

We face risks and uncertainties related to the COVID-19 pandemic and its aftermath, which could significantly disrupt our operations, and which could have a material adverse impact on our business, financial condition, operating results, and cash flows. These risks and uncertainties could pertain to other viruses, pandemics, or other such unforeseen and broad-based public health crises.

Our business has been and may continue to be adversely impacted by the effects of COVID-19 and its aftermath. In addition to negative macroeconomic effects on our business, decreased consumer demand for products offered by our clients, and reduced client budgets, the COVID-19 pandemic and any other related adverse public health developments have caused and may further cause declines in revenue and margin, and disruption to our business may continue or worsen over a prolonged period. The businesses of our clients and third-party media service providers (including strategic partners) have also been negatively affected and may continue to be disrupted by reduced demand, consumer creditworthiness, delinquencies, absenteeism, quarantines, economic responses our government is taking to limit the human and economic impact of the COVID-19 pandemic (e.g., stimulus payments), and restrictions on employees' ability to work, office closures, and travel or health-related restrictions. In addition, in the aftermath of the pandemic, it may be the case that consumers spend less time researching and comparing online, which could represent decreased demand for the online products and services that we market for our clients. Depending on the magnitude and duration of such disruptions and their effect on client spending and/or the availability of quality media from third-party service providers including strategic partners, our business, financial condition, operating results, and cash flows could be adversely affected.

In addition, COVID-19 or other disease outbreaks have in the short-run, and may over the longer term, adversely affect the economies and financial markets within many countries, including in the United States, resulting in economic or financial market instability and could continue to negatively affect marketing and advertising spend in products offered by our clients or on media availability or performance. For example, certain companies that operate in the credit-driven markets such as credit cards and personal loans have seen and may continue to see reductions in near-term demand for our services due to weakened, or additional weakening of, economic and employment conditions, and the uncertainty over the length of the economic downturn. Such continuing effects of COVID-19, and other similar effects, have resulted and may continue to result in reduced marketing and advertising spend or drops in media availability or performance, which could have a material adverse effect on our business, financial condition, operating results, and cash flows. There can be no assurance that any decrease in revenue or margin resulting from COVID-19 will be offset by increased revenue or margin in subsequent periods or that our business, financial condition, operating results, and cash flows will remain consistent with pre-pandemic expectations and/or performances.

Furthermore, we may experience disruptions to our business operations resulting from quarantines, self-isolations, or other movement and restrictions on the ability of our employees to perform their jobs that may impact our sales and marketing activities and our ability to design, develop, or deliver our products and services in a timely manner or meet customer commitments, which could have a material adverse impact on our business, financial condition, operating results, and cash flows. In addition, we previously announced that we paused our financial advisor-led process to review strategic alternatives in large part due to market uncertainties resulting from the COVID-19 pandemic.

Moreover, to the extent the COVID-19 pandemic or any worsening of the global business and economic environment as a result thereof adversely affects our business, financial condition, operating results, and cash flows, it may also have the effect of heightening or exacerbating many of the other risks described in these risk factors, such as those relating to a reduction in online marketing spend by our clients, a loss of clients or lower advertising yields, our dependence on third-party service providers including strategic partners, risks with respect to counterparties, annual and quarterly fluctuations in our results of operations, the impact of interest rate volatility on our visitor traffic, internal control over financial reporting, seasonal fluctuations, our ability to collect our receivables from our clients, and risks relating to our ability to raise additional capital when and as needed.

Given that the magnitude and duration of COVID-19's impact on our business and operations remain uncertain, the continued spread of COVID-19 (including the emergence and persistence of variants relating thereto) and the imposition of related public health containment measures and travel and business restrictions could have a material adverse impact on our business, financial condition, operating results, and cash flows.

Any negative changes in the economy and broader economic conditions have had material impacts to our business in the past and are likely to cause a material and adverse impact on our revenues and profitability.

If the Company were to dissolve, the holders of our securities may lose all or substantial amounts of their investments.

If the Company were to dissolve as a corporation, as part of ceasing to do business or otherwise, we may be required to pay all amounts owed to any creditors and/or preferred stockholders before distributing any assets to the investors and/or preferred stockholders. There is a risk that in the event of such a dissolution, there will be insufficient funds to repay amounts owed to holders of any of our indebtedness and insufficient assets to distribute to our other investors, in which case investors could lose their entire investment.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties

Our principal executive office is located in a leased facility in New York, New York, consisting of approximately 13,116 square feet of office space under a lease with an expiration date in October 2029. This facility accommodates our principal operations, finance, and administrative activities. We also lease additional facilities to accommodate operations in Los Angeles, California, Brooklyn, and Westchester County, New York .

Item 3. Legal Proceedings

There is hereby incorporated by reference the information disclosed in Note 12 - Commitments and Contingencies to the Consolidated Financial Statements, Part II, Item 8 of this Form 10-K/T.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Common Stock and Warrants are traded on the Nasdaq Capital Market under the symbols "TRKA" and "TRKAW," respectively.

As of March 3, 2023, 344,306,906 shares of common stock were issued and outstanding, which were held of record by approximately 450 shareholders.

Dividends

The Company has not paid any cash dividends on its common stock. Dividends may not be paid on the common stock while there are accrued but unpaid dividends under our Series E Preferred Stock.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

There were no purchases made from July 1, 2022 to December 31, 2022.

Securities Authorized for Issuance Under Equity Compensation Plans:

The information required by Item 201(d) of Regulation S-K will be included in an amendment to this form 10-KT/A, and is incorporated herein by reference.

Item 6. [Reserved.]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that are not statements of historical fact are forward-looking statements. Words such as "expects," "anticipates," "believes," "estimates," "may," "will," "should," "could," "potential," "continue," "intends," "plans," and similar words and terms used in the discussion of future operating and financial performance and plans identify forward-looking statements. Investors are cautioned that such forward-looking statements are not guarantees of future performance, results, or events and involve risks and uncertainties, and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to: those discussed in Part I, Item 1A of this Form 10-K/T under the heading "Risk Factors."

Introduction

This MD&A is provided as a supplement to, and should be read in conjunction with, the audited consolidated financial statements and footnotes thereto included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T to help provide an understanding of our financial condition, changes in financial condition, results of operations, and cash flows.

Our MD&A is organized as follows:

Business Overview. This section provides a general description of our business, as well as other matters that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.

Results of Operations. This section provides an analysis of our results of operations for the six months ended December 31, 2022 and 2021, and for fiscal years ended June 30, 2022 and 2021.

Liquidity and Capital Resources. This section provides a discussion of our financial condition and liquidity, as well as an analysis of our cash flows for the six months ended December 31, 2022 and 2021, and for fiscal years ended June 30, 2022 and 2021. The discussion of our financial condition and liquidity includes summaries of our primary sources of liquidity, our contractual obligations, and off balance sheet arrangements that may have existed at December 31, 2022.

Recently Issued Accounting Pronouncements Not Yet Adopted and Critical Accounting Policies. This section cross-references a discussion of accounting policies considered to be important to our financial condition and results of operations and which require significant judgment and estimates on the part of management in their application. In addition, all of our significant accounting policies, including our critical accounting policies, are discussed in the notes to our consolidated and combined financial statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T.

Change in fiscal year

As previously mentioned, we have changed our fiscal year end to December 31 from June 30, effective January 1, 2023. This transition report is for the six-month transition period of July 1, 2022 through December 31, 2022. References in this report to "fiscal year" refer to years ending June 30. References to this report to "transition period" refer to the six month period ending December 31, 2022.

Business Overview

Description of our Business

Converge Acquisition

On March 22, 2022 (the "Closing Date"), the Company through its wholly owned subsidiary CD Acquisition Corp, consummated the transactions contemplated by a Membership Interest Purchase Agreement dated as of November 22, 2021 (as amended, the "MIPA") for the acquisition of all the equity of Converge Direct, LLC and its affiliates ("Converge") and 40% of the equity of Converge Marketing Services, LLC, an affiliated entity, for a notional aggregate purchase price of $125.0 million valued for accounting purposes at approximately $114.9 million. The MIPA identifies the seller parties as the Converge Sellers. The cash portion of the purchase price consisted of $65.9 million paid on the date of the acquisition, $29.1 million held in escrow (the "Converge Holdback") payable upon satisfaction of certain conditions, and another $5.0 million payable twelve months after the acquisition date contingent on the Company satisfying its bank covenants and at the option of the payee payment will be in the form of cash or common stock of the Company valued at $2 per share. The remaining $25.0 million was paid in the form of 12.5 million shares of the Company's restricted common stock at a price of $2.00 per share, which for accounting purposes was valued at $1.19 per share for $14.9 million. All 12.5 million shares were subject to a nine (9) month lock-up period. Pursuant to the provisions of the MIPA, an aggregate of $2.5 million (10%) or 1,250,000 shares of the common stock issued to the Converge Sellers are held in escrow to secure against claims for indemnification. The escrowed shares will be held until the later of (a) one year from the Closing Date, or (b) the resolution of indemnification claims.

On the Closing Date, the Company entered into an Escrow Agreement with Blue Torch, a representative of the Converge Sellers and Alter Domus (US) LLC acting as Escrow Agent. The Escrow Agreement provided for the escrow of the Converge Holdback totaling $29.1 million of the $76.5 million proceeds, under the Credit Facility to be released to the Converge Sellers upon delivery to Blue Torch of the audited financial statements of Converge Direct LLC and affiliates for the years ended December 31, 2020 and 2019. Delivery of such financial statements was completed during the Company's quarter ended June 30, 2022; however, Blue Torch has not consented to the release of the escrowed funds, which is required under the terms of the Escrow Agreement for the release of the Converge Holdback.

Revenue

The Company has two material revenue streams:

Managed Services

The Company's Managed Services are typically orientated around the management of a customer's marketing, data, and/or creative program. The Company's deliverables relate to the planning, designing, and activating of a solution program or set of work products. The Company executes this revenue stream by leveraging internal and external creative, technical or media-based resources, third party AdTech solutions, proprietary business intelligence systems, data delivery systems, and other key services required under the terms of a scope of work with a client. Our fees to our clients are billed in a variety of ways, which can consist of a percentage of a customer's total budget, media spend, or retainer.

Performance Solutions

The Company's Performance Services are typically orientated around the delivery of a predetermined event or outcome to a client. Typically, the revenue associated with the event (as agreed upon in a scope of work) is based on a click, lead, call, appointment, qualified event, case, sale, or other defined business metric. The Company engages in a myriad of consumer engagement tactics, ecosystems, and methods to generate and collect a consumer's interest in a particular service or good. Our fees associated with these clients are billed based on the occurrence of a click, lead, call, appointment, qualified event, case, sale, or other defined business metric.

Revenue Categories

A key focus of our revenue architecture and growth is how we generate from two Product Lines across all of our revenue streams. Our approach to growth has been to expand our Internal Brand and Data capabilities, which allow us to provide broader consumer outreach for all our clients and optimize of the cost of the customer engagement expense. Our sectors are curated to have consumer linkages that promote our ability to introduce consumers within our engagement ecosystems to our client programs for secondary benefit to us and our clients using the first-party data that we generate.

Client-Brand

Under the Client Brand product line, revenues are earned from the fees we charge to our customers when we advertise directly for them. In servicing our clients under this reportable segment, the consumer interacts directly with our client and does not interface with the Company at any point during the transaction process.

Internal-Brand and Data

Under the Internal-Brand product line, we earn revenues from the fees we charge to our customers when we engage with consumers under our internally owned and operated brand names. The end consumer interfaces directly with our brand and may be redirected to our customer based on information obtained during the transaction process or whose details may be passed on to a client for future engagement with a particular consumer. We generate rich first party data within this product line that can be monetized across a mix of customer acquisition campaigns and incremental revenue streams. Our innovative internal brands are capable of being utilized for an array of customer awareness and acquisition programs.

Costs of Revenue

Cost of revenues consists of the payments made to third parties, such as media costs and administrative fees (Google, Facebook, The Trade Desk, etc.), technology fees (The Trade Desk, Invoca, LiveRamp, etc.), production expenses (printing, logistics, etc.), data costs, and other third-party expenses that Company incurs on behalf of a client that is needed to deliver the services.

General and Administrative Expenses

The Company's selling, general, and administrative expenses primarily consist of administrative costs, including employee compensation and benefits, professional fees, sales and marketing costs, and facilities and office overhead.

Income Taxes

See Note 17 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T for more information on income taxes.

RESULTS OF OPERATIONS

Comparison of the Six Months Ended December 31, 2022 versus the Six Months Ended December 31, 2021

The table below sets forth, for the periods presented, our consolidated results of operations for the periods indicated.

	Six Months Ended		Change	
	December 31, 2022	December 31, 2021 (unaudited)	Amount	Percentage
Revenue	$ 187,910,491	$ 15,343,000	$ 172,567,491	1125 %
Cost of revenue	162,250,051	8,420,000	153,830,051	1827 %
Gross margin	25,660,440	6,923,000	18,737,440	271 %
Operating expenses:				
Selling, general and administrative expenses	22,658,206	14,097,000	8,561,206	61 %
Depreciation and amortization	4,423,831	401,000	4,022,831	1003 %
Restructuring and other related charges	6,868,066	—	6,868,066	100 %
Impairment and other losses (gains), net	11,066,341	—	11,066,341	100 %
Total operating expenses	$ 45,016,444	$ 14,498,000	$ 30,518,444	211 %
Operating loss	$ (19,356,004)	$ (7,575,000)	$ (11,781,004)	156 %
Other income (expense):				
Loss contingency on equity issuance	(3,385,000)	—	(3,385,000)	100 %
Interest expense	(6,174,849)	(47,000)	(6,127,849)	13038 %
Foreign exchange loss	(944,417)	(26,000)	(918,417)	3532 %
Gain on change in fair value of derivative liabilities	20,004,367	12,000	19,992,367	166603 %
Net gain on sale of subsidiary	82,894	—	82,894	100 %
Other income, net	212,386	1,444,000	(1,231,614)	(85) %
Total other income (expense)	$ 9,795,381	$ 1,383,000	$ 8,412,381	608 %
Loss from operations before income taxes	(9,560,623)	(6,192,000)	(3,368,623)	54 %
Income tax expense	(19,122)	(57,000)	37,878	(66) %
Net loss	$ (9,579,745)	$ (6,249,000)	$ (3,330,745)	53 %

The results of operations for the six months ended December 31, 2022, have been significantly impacted by the Converge Acquisition and the company-wide restructuring program. All financial results herein for the six months ended December 31, 2022, include the results of operations of Converge, which was acquired on March 22, 2022. See Note 3 Business Combinations and Dispositions to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T for more information on the Converge Acquisition.

Revenue

Revenue for the six months ended December 31, 2022 increased $172.6 million, or 1125%, to $187.9 million, as compared with the prior period. The breakdown by revenue stream was the following:

Managed Services revenue	$ 104,644,907
Performance Solutions revenue	75,652,075
Other revenue	7,613,509
	$ 187,910,491

The increases in Managed Services revenue and Performance Solutions revenue were directly attributable to the Converge Acquisition. The Converge Acquisition contributed $180.3 million, or 95.9% of the Company's total revenue for the six month period.

Other revenue decreased $7.7 million, or 50.4%, to $7.6 million, primarily attributable to the company-wide restructuring program. The Company has shifted towards scalable performance-based revenues and business consulting engagements and away from project-based unscalable revenues.

Cost of revenue

For the six months ended December 31, 2022, cost of revenue increased by $153.8 million, or 1827%, to $162.3 million, as compared with the prior period. The increase is primarily attributable to the direct correlation with the increase in revenue as well as the increase in customer acquisition and retention costs.

Gross margin

For the six months ended December 31, 2022, gross margin increased $18.7 million, or 271%, to $25.7 million, as compared with the prior year period. This increase was primarily due to the increase in revenues partially offset by the increase in cost of revenues related to the Converge Acquisition as discussed above. For the six months ended December 31, 2022, gross margin as a percentage of revenues decreased from 45% to 14% as compared to the prior year period. The Troika and Mission entities had a higher gross margin percentage as compared to Converge. As a result, the gross margin as a percentage of revenues has declined.

Selling, general, and administrative expenses

Selling, general, and administrative expenses for the six months ended December 31, 2022, increased $8.6 million, or 61%, to $22.7 million, as compared with the prior year period. This $8.6 million increase is primarily attributable to an increase in employee related costs of approximately $5.3 million, an increase in office and occupancy costs of approximately $1.5 million, an increase in professional fees of approximately $1.4 million, an increase in travel and entertainment costs of approximately $0.2 million, and an increase in miscellaneous costs of approximately $0.2 million.

Employee related costs increased due to the addition of the 80 plus headcount acquired with Converge, which added $5.8 million. This increase was offset by the reduction in salaries and other employee related costs as a result of the discontinuation of certain subsidiary operations as part of the Company's restructuring efforts. The combined employee related costs from non-Converge entities totaled $10.4 million during the six months ended December 31, 2022, which was a 5% decrease compared to the prior year period. The severance costs relating to the termination of employees is recorded in restructuring and other related charges.

The increased professional fees were largely driven by the accounting and audit fees incurred during the transition period. Due to the change in year end date, the Company incurred higher audit fees than in a normal six month period. Additional professional fees, mainly legal fees, were incurred from newly engaged firms to help the Company with various debt and equity financing matters.

Depreciation and amortization

Depreciation and amortization expenses for the six months ended December 31, 2022 increased approximately $4.0 million, or 1003%, to $4.4 million, as compared to the prior year period. The increase is primarily attributable to the amortization of intangible assets acquired as a result of the Converge Acquisition.

Restructuring and other related charges

For the six months ended December 31, 2022, the Company recorded $6.9 million of restructuring charges related to the discontinuation of certain subsidiary operations. These restructuring charges were comprised of approximately $3.0 million related to excess facilities, $1.5 million of professional fees, $1.2 million of employee severance and other related benefit costs, $0.9 million of other exit costs (related to balance sheet write-offs), and $0.4 million related to the sale of Mission-Media Holdings Ltd. There were no such amounts recorded in the prior year. See Note 5 - Restructuring. to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T for more information.

Impairments and other losses (gains), net

For the six months ended December 31, 2022, the Company recorded approximately $11.1 million in net impairment losses. The charges comprised of goodwill impairments totaling $9.8 million, and impairment of intangible assets of approximately $1.2 million. The goodwill impairment consisted of $6.9 million of goodwill impairment charges related to the discontinuation of Mission Culture LLC (Delaware) and $2.9 million of goodwill impairment charges related to the discontinuation of Troika Design Group, Inc. (California). See Note 3 - Business Combinations and Dispositions. and Note 10 - Intangible Assets & Goodwill. to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T for more information.

There were no impairment charges recorded for the six months ended December 31, 2021.

Loss contingency on equity issuance

For the six months ended December 31, 2022, the Company recorded $3.4 million of loss contingency expenses per the Registration Rights Agreement related to partial liquidated damages as a result of not having the registration statement declared effective by the SEC by the time required under the Registration Rights Agreement. During the six months ended December 31, 2022, the Company had paid an aggregate of $3.6 million of partially liquidated damages, which was recognized in the Statement of Operations for the year ended June 30, 2022.

Interest expense

Interest expense for the six months ended December 31, 2022 of $6.2 million was primarily related to the Company's Senior Secured credit facility, which was entered into in March 2022 to finance the Converge Acquisition (see "Liquidity and Capital Resources - Financing Agreements"). During the six months ended December 31, 2022, the Company incurred an additional 2% of penalty interest per month beginning on October 3, 2022, as a result of the Company's covenant default. See Note 13 - Credit Facilities to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T for more information on the Company's Credit Facility.

Foreign exchange loss

For the six months ended December 31, 2022, there was a foreign exchange loss of $0.9 million compared to a foreign exchange loss of $26 thousand in the comparable prior year period. The foreign exchange loss was primarily driven by the sale of a foreign subsidiary, Mission-Media Holdings Ltd. Prior to the sale, the Company had previously accounted for foreign currency translation in accumulated other comprehensive income, and subsequent to the sale this was reclassified to the Statement of Operations.

Gain on change in fair value of derivative liabilities

For the six months ended December 31, 2022 and 2021, the Company recorded $20.0 million and $12 thousand, respectively, of gain on the change in fair value of derivative liabilities and warrants. The financing warrants are associated with the equity financing related to the Converge Acquisition and were issued to the institutional investors who received Series E Preferred Stock and warrants. See Note 9 - Fair Value Measurements and Note 15 - Stockholders' Equity to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T for more information on the derivative liabilities.

Net gain on sale of subsidiary

For the six months ended December 31, 2022, there was a net gain recorded relating to Mission-Media Holdings Ltd., of approximately $0.1 million. This gain on the sale of a subsidiary was driven by the difference between the Mission-Media Holdings Ltd. net book value, the purchase price received by the Company, and a working capital payment made by the Company to the subsidiary. This gain was offset by the outstanding intercompany balances between Mission-Media Holdings Ltd. and the consolidated TMG entities.

Other income, net

Other income for the six months ended December 31, 2022, decreased $1.2 million, or 85%, to $0.2 million. The decrease in other income, net was primarily driven by a reduction in income from legal settlements of approximately $1.0 million and a reduction in rental income of approximately $0.1 million.

Adjusted earnings before interest, tax, depreciation, and amortization ("Adjusted EBITDA")

The Company evaluates its performance based on several factors, of which the key financial measure is our net income (loss) before (i) interest expense, net (ii) income tax expense, (iii) depreciation, amortization and impairments of property and equipment, goodwill and other intangible assets, (iv) share based compensation expense, (v) restructuring charges or credits, (vi) gains or losses on dispositions of business and associated settlements, and (vii) certain other non-recurring or non-cash items.

Management believes that the exclusion of share based compensation expense or benefit allows investors to better track the performance of the Company's business without regard to the settlement of an obligation that is not expected to be made in cash.

Adjusted EBITDA and similar measures with similar titles are common performance measures used by investors and analysts to analyze the Company's performance. The Company uses revenue and Adjusted EBITDA measure as its most important indicators of its business performance, and evaluates management's effectiveness with specific reference to these indicators. Adjusted EBITDA should be viewed as a supplement to and not a substitute for net income (loss), cash flows from operating activities, and other measures of performance and/or liquidity presented in accordance with GAAP. Since Adjusted EBITDA is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar titles used by other companies.

The following table is a reconciliation of net income (loss), a GAAP measure, to Adjusted EBITDA:

	Six Months Ended December 31,		Change	
	2022	2021	Amount	Percentage
Net Loss	**$ (9,579,745)**	**$ (6,249,000)**	**$ (3,330,745)**	53 %
Interest expense	6,174,849	47,000	$ 6,127,849	13038 %
Income tax expense	19,122	57,000	$ (37,878)	(66) %
Depreciation and amortization	4,423,831	401,000	$ 4,022,831	1003 %
EBITDA	**1,038,057**	**(5,744,000)**	**$ 6,782,057**	**(118) %**
Impairment and other losses (gains), net	11,066,341	(1,448,000)	$ 12,514,341	(864) %
Business Acquisition Costs included in SG&A	—	517,000	$ (517,000)	(100) %
Restructuring and other related charges	6,868,066	—	$ 6,868,066	100 %
Share based compensation	2,680,081	2,100,000	$ 580,081	28 %
Loss contingency on equity issuance	3,385,000	—	$ 3,385,000	100 %
Net gain on sale of subsidiary	(82,894)	—	$ (82,894)	100 %
(Gain) loss on derivative liabilities	(20,004,367)	(12,000)	$ (19,992,367)	166603 %
Adjusted EBITDA	**$ 4,950,284**	**$ (4,587,000)**	**$ 9,537,284**	**(208) %**

Adjusted EBITDA for the six months ended December 31, 2022, increased $9.5 million to $5.0 million as compared with the prior year period. The increase was primarily driven by the increase in revenues and gross margin attributable to the managed services and performance solutions revenue streams associated with the Converge Acquisition (as discussed previously).

Comparison of the Year Ended June 30, 2022 versus the Year Ended June 30, 2022

	Year Ended June 30,		Change	
	2022	2021	Amount	Percentage
Revenue	$ 116,409,703	$ 16,192,000	$ 100,217,703	619 %
Cost of revenue	88,127,498	7,504,000	80,623,498	1074 %
Gross margin	28,282,205	8,688,000	19,594,205	226 %
Operating expenses:				
Selling, general and administrative expenses	45,271,857	25,372,000	19,899,857	78 %
Depreciation and amortization	3,097,780	2,299,000	798,780	35 %
Restructuring and other related charges	5,590,932	—	5,590,932	100 %
Impairment and other losses (gains), net	7,708,677	(3,142,000)	10,850,677	(345) %
Total operating expenses	61,669,246	24,529,000	37,140,246	151 %
Operating loss	(33,387,041)	(15,841,000)	(17,546,041)	111 %
Other income (expense):				
Amortization expense of note payable discount	—	(409,000)	409,000	(100) %
Loss contingency on equity issuance	(3,615,000)	—	(3,615,000)	100 %
Interest expense	(2,943,367)	(7,000)	(2,936,367)	41948 %
Foreign exchange loss	(30,215)	(48,000)	17,785	(37) %
Gain on change in fair value of derivative liabilities	638,622	72,000	566,622	787 %
Other income, net	679,920	452,000	227,920	50 %
Total other income (expense)	(5,270,040)	60,000	(5,330,040)	(8883) %
Loss from operations before income taxes	(38,657,081)	(15,781,000)	(22,876,081)	145 %
Income tax expense	(35,925)	(216,000)	180,075	(83) %
Net loss	(38,693,006)	(15,997,000)	(22,696,006)	142 %

The results of operations for the year ended June 30, 2022, have been significantly impacted by the Converge Acquisition. All financial results herein for the fiscal year ended June 30, 2022, include the results of operations of the Converge companies which are reflective of the period March 22, 2022 (the Acquisition closing date), though June 30, 2022. See Note 3 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T for more information on the Converge Acquisition.

Revenue

Revenue for the year ended June 30, 2022, increased $100.2 million as compared with the prior year period, resulting in a total of approximately $116.4 million. The increase was attributable to the following:

Increase in managed services revenue	$ 51,101,818
Increase in performance solutions revenue	40,178,973
Other net increases	8,936,912
	$ 100,217,703

The increase in Managed Services revenue and Performance Solutions revenues is directly attributable to the Converge Acquisition and is reflective of the period March 22, 2022 (the date of the Converge Acquisition closing), through June 30, 2022. The Converge Acquisition contributed approximately $90.3 million in revenue during that 101 day period, which is representative of 78% of the Company's total revenue for fiscal year 2022.

The increase in other revenue of approximately $8.9 million was primarily driven by the gradual return to more normal business activities as a result of the lifting of government restrictions that were in place in the prior year period due to COVID-19.

Cost of Revenue

For the year ended June 30, 2022, cost of revenue increased $80.6 million, or 1074%, to $88.1 million as compared with the prior year period. The increase is primarily attributable to incremental costs of approximately $77.8 million resulting from the addition of the Converge business.

Gross Margin

For the year ended June 30, 2022, gross margin increased $19.6 million, or 226%, to $28.3 million, or 24% of revenue, as compared with the prior year period, primarily due to the increase in revenue partially offset by the increase cost of revenue related to the Converge Acquisition as discussed above.

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the year ended June 30, 2022, increased $19.9 million, or 78%, to $45.3 million as compared with the prior year period. The increase is primarily attributable to an increase in employee related costs of approximately $13.3 million, an increase in professional fees of approximately $4.2 million, an increase in miscellaneous costs of approximately $1.5 million, an increase in travel and entertainment costs of approximately $0.6 million, and an increase in office and occupancy costs of approximately $0.3 million.

The increase in employee related costs of approximately $13.3 million is primarily due to an increase in stock-based compensation of $8.7 million, increases in salaries and other related costs of approximately $1.7 million (exclusive of employees acquired with the Converge Acquisition), employee related costs of approximately $3.3 million directly attributable to the Converge Acquisition, and an increase in professional fees due to one-time costs incurred for legal, accounting, and other services performed related to the Converge Acquisition. These increases were partially offset by a decrease in consulting fees of approximately $3.5 million.

Depreciation and Amortization

Depreciation and amortization expenses for the year ended June 30, 2022, increased $0.8 million, or 35%, to $3.1 million compared to the prior year period. The increase is primarily attributable to amortization of intangible assets acquired as a result of the Converge Acquisition.

Restructuring and Other Related Charges

For the year ended June 30, 2022, the Company recorded $5.6 million of restructuring charges related to employee severance and other employee related benefits. During the fourth quarter of 2022, the Company shut down Redeeem operations, as well as consolidated the operations for certain Troika entities. This has resulted in the departure of key executives as well as certain additional reductions in workforce in order to align with management's new strategic direction. There were no such amounts recorded in the prior year.

Impairments and Other (Gains) Losses, Net

For the year ended June 30, 2022, impairments and other losses $10.9 million, or 345%, to $7.7 million compared to the prior year. The increase is comprised of impairments of goodwill totaling approximately $8.8 million, the absence of a $3.1 million gain in the prior year period, and impairments of net intangible assets totaling $0.4 million. These increases were partially offset by gains in the current year period totaling $1.4 million.

For the year ended June 30, 2022, impairment charges of $8.8 million included of goodwill impairments of $6.7 million related to Mission UK as a result of the Sale agreement entered into on August 1, 2022, and goodwill impairment of $2.0 million and intangible assets impairments of $0.4 million related to the discontinuation of operations for the Redeeem subsidiary. See Note 3 to the consolidated financial statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10K/T for more information.

The above increases were offset by $1.0 million gain on legal settlements, which was related to the Stephensons' settlement, (See Note 12 to the Consolidated Financial Statements included in Item 8 Financial Statements and Supplementary Data of this Transition Report on Form 10K/T for more information on the legal matters). The remaining increase included an approximate $0.3 million gain on government grant forgiven related to SBA-backed Paycheck Protection Program grants received due to the ongoing COVID-19 pandemic and a $0.2 million gain on rent abatement. For the year ended June 30, 2021, the Company recognized approximately $3.1 million of income from government grants.

There were no impairment charges recorded during the year ended June 30, 2021.

Loss Contingency on Equity Issuance

For the year ended June 30, 2022, the Company recorded $3.6 million of loss contingency expenses per the Registration Rights Agreement related to partial liquidated damages as a result of not filing the registration statement by the effective date.

Interest Expense

Interest expense for the year ended June 30, 2022, is related to the Company's Senior Secured credit facility, which was entered into in March 2022 to finance the Converge Acquisition (see "Liquidity and Capital Resources - Financing Agreements"). See Note 13. Credit Facilities to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data of this Transition Report on Form 10-K/T for more information on the Company's Credit Facility.

Gain on Change in Fair Value of Derivative Liabilities

For the year ended June 30, 2022, gain on change in fair value of derivative liabilities increased by $0.6 million, or 787%, to $0.6 million compared to the prior year. The derivative liabilities are associated with the debt and equity financing related to the Converge acquisition. There were no derivative liabilities related to the Converge acquisition recorded in the prior fiscal year period.

Adjusted earnings before interest, tax, depreciation, and amortization ("Adjusted EBITDA")
(refer to discussion within Comparison of the Six Months Ended December 31, 2022 versus the Six Months Ended December 31, 2021 for definition of Adjusted EBITDA)

	Year Ended June 30,		Change	
	2022	**2021**	**Amount**	**Percentage**
Net Loss	**$ (38,693,006)**	**$ (15,997,000)**	**$ (22,696,006)**	142 %
Interest expense	2,943,367	7,000	2,936,367	41948 %
Income tax expense	35,925	216,000	(180,075)	(83) %
Depreciation and amortization	3,097,780	2,299,000	798,780	35 %
EBITDA	**(32,615,934)**	**(13,475,000)**	**(19,140,934)**	142 %
Impairment and other losses (gains), net	7,708,677	(3,142,000)	10,850,677	(345) %
Business Acquisition Costs included in SG&A	2,200,000	—	2,200,000	100 %
Restructuring and other related charges	5,590,932	—	5,590,932	100 %
Share based compensation	13,292,534	4,419,000	8,873,534	201 %
Loss contingency on equity issuance	3,615,000	—	3,615,000	100 %
Net gain on sale of subsidiary	—	—	—	100 %
(Gain) loss on derivative liabilities	(638,622)	(72,000)	(566,622)	787 %
Adjusted EBITDA	**$ (847,413)**	**$ (12,270,000)**	**$ 11,422,587**	(93) %

Adjusted EBITDA for the year ended June 30, 2022, increased $11.4 million to $(0.8) million as compared with the prior year period. The increase was primarily driven by the increase in revenues and gross margin attributable to the managed services and performance solutions revenue streams associated with the Converge Acquisition (as discussed previously).

LIQUIDITY & CAPITAL RESOURCES

Overview

Our primary sources of liquidity are cash, cash equivalents, and cash flows from the operations of our businesses. Our principal uses of cash include working capital-related items (including funding our operations), debt service, investments, and related loans and advances that we may fund from time to time, and liabilities from prior acquisitions. Our decisions as to the use of our available liquidity will be based upon the ongoing review of the funding needs of the business, the optimal allocation of cash resources, and the timing of cash flow generation. To the extent that we desire to access alternative sources of funding through the capital and credit markets, challenging U.S. and global economic and market conditions could adversely impact our ability to do so at that time.

We regularly monitor and assess our ability to meet our net funding and investing requirements. We believe we have sufficient liquidity from cash and cash equivalents and future cash flows from operations to fund our operations and service the credit facilities for the foreseeable future. See Note 13 - Credit Facilities to the consolidated financial statements included in Item 8 of this Transition Report on Form 10-K/T for discussion of the Credit Facility.

Financing Agreements

On March 21, 2022, Troika Media Group Inc., and each subsidiary of Troika Media Group Inc. as guarantors, entered into a Financing Agreement with Blue Torch Finance LLC ("Blue Torch") to act as Administrative Agent and Collateral Agent. As part of this Financing Agreement, we entered into a $76.5 million First Lien Senior Secured Term Loan (the "Credit Facility") with Blue Torch which formed the majority of the purchase price of the Converge Acquisition, as well as for working capital and general corporate purposes.

The Credit Facility provides for: (i) a Term Loan in the amount of $76.5 million; (ii) an interest rate of the LIBOR Rate Loan of three (3) months; (iii) a four-year maturity, amortized 5.0% per year, payable quarterly; (iv) a one (1.0%) percent commitment fee and an upfront fee of two (2.0%) percent of the Credit Facility paid at closing, plus an administrative agency fee of $250,000 per year; (v) a first priority perfected lien on all property and assets including all outstanding equity of the Company's subsidiaries; (vi) 1.5% fully-diluted penny warrant coverage in the combined entity; (vii) mandatory prepayment for fifty (50%) percent of excess cash flow and 100% of proceeds from various transactions; (viii) customary affirmative, negative and financial covenants; (ix) delivery of audited financial statements of Converge; and (x) customary closing conditions. The Company agreed to customary restrictive financial and non-financial covenants in the Credit Facility including, but not limited to, a debt leverage ratio, fixed charge coverage ratio, and maintaining liquidity of at least $6.0 million at all times. Additionally, the Company agreed that if Sid Toama or Thomas Marianacci cease to be involved with the day to day operations of the Company, replacements reasonably suitable to Blue Torch shall be appointed within thirty (30) days.

The Company received an extension of the limited waiver due to noncompliance with certain covenants of the agreement. The amended limited waiver will expire on the earliest of the occurrence of an event of default under the financing agreement, a failure by the Company to comply with certain sale and refinancing milestones set forth in a side letter agreed by the Company and the Lenders and June 30, 2023, subject to potential extension of up to 60 days to obtain regulatory and/or shareholder approval in the event the Company is pursuing a sale transaction

The Company and each of its subsidiary Guarantors entered into a Pledge and Security Agreement (the "Security Agreement") dated as of March 21, 2022, as a requirement with the Credit Facility. Each Guarantor pledged and assigned to the Collateral Agent and granted the Collateral Agent with a continuing security interest in all personal property and fixtures of the Guarantors (the "Collateral") and all proceeds of the Collateral. All equity of the Guarantors was pledged by the Borrower.

On March 21, 2022, each of the Company's Subsidiaries, as Guarantors, entered into an Intercompany Subordination Agreement (the "ISA") with the Collateral Agent. Under the ISA, each obligor agreed to the subordination of such indebtedness of each other obligor to such other obligations.

On March 21, 2022, the Company entered into an Escrow Agreement with Blue Torch Finance LLC and Alter Domus (US) LLC acting as Escrow Agent. See "Business Overview- Description of our Business- Converge Acquisition."

In connection with the aforementioned note, the Company recorded deferred financing and issuance costs totaling approximately $9.2 million, including a $1.5 million upfront fee. The costs will be amortized over the life of the note using the effective interest rate method. During the six months ended December 31, 2022, the Company recorded $1.2 million in amortization expense and made principal payments of $1.9 million.
At any time on or after March 21, 2022, and on or prior to March 21, 2026, the lender has the right to subscribe for and purchase from Troika Media Group, Inc., up to 1,929,439 shares of Common Stock, subject to adjustment. The number was adjusted to 5,429,439 of common shares effective December 9, 2022. The exercise price per share of Common Stock under this Warrant shall be $.01 per share. If at any time when this Warrant becomes exercisable and the Registration Statement is not in effect this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise".

The Company is in negotiations with its Senior Secured Lender to revise the terms of its Financing Agreement relating to the Credit Facility.

Series E Private Placement

On March 16, 2022, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain institutional investors (the "Purchasers"), pursuant to which the Company agreed to issue and sell, in a private offering (the "March 2022 Private Placement"), an aggregate of $50.0 million of securities, consisting of shares of Series E convertible preferred stock of the Company, par value $.01 per share (the "Series E Preferred Stock") and warrants to purchase (100% coverage) shares of common stock (the "Warrants") (collectively, the Series E Preferred Stock and Warrants are referred to as the "Securities"). Under the terms of the Purchase Agreement, the Company agreed to sell 500,000 shares of its Series E Preferred Stock and Warrants to purchase up to 33,333,333 shares of the Company's common stock (the "Conversion Shares"). Each share of the Series E Preferred Stock has a stated value of $100 per share and was originally convertible, at any time, into shares of common stock at a conversion price of $1.50 per share (the "Conversion Price"), subject to adjustment. The Company sold the Securities for gross proceeds of $50,000,000.

The shares of Series E Preferred Stock were originally convertible at $1.50 per share, or an aggregate of approximately 33,333,333 shares of common stock, subject to adjustment, for reverse and forward stock splits, stock dividends, stock combinations and other such transactions. In addition, the Conversion Price will be downwardly adjusted the greater of (i) eighty (80%) percent of the average of the ten (10) lowest daily VWAPs during the forty (40) trading day period beginning on and including the Trading Day immediately follow the Effective Date of the initial Registration Statement, and (ii) the Floor Price of $0.25 per share unless a holder elects to shorten the adjustment period to all or a portion of the Series E Preferred Stock held by such person to between ten (10) and thirty-nine (39) trading days (the "Registration Reset Price").

The shares of Series E Preferred Stock and Warrants and the shares of Common Stock issuable upon conversion of the Series E Preferred Stock and the exercise of the Warrants issued in March 2022 were not initially registered under the Securities Act of 1933, as amended. Pursuant to a Registration Rights Agreement with the Purchasers dated March 16, 2022 (the "Registration Rights Agreement"), the Company committed to file with the SEC an initial Registration Statement concerning the Securities within ten (10) business days of the March 21, 2022, closing date, which initial Registration Statement was required to be declared effective within forty-five (45) days of the filing date or ninety (90) days if there is a "full review by the SEC".

While the Company filed a Registration Statement on Form S-1 (the "Form S-1") concerning the Securities to satisfy the requirements of the Registration Rights Agreement, the Form S-1 was not declared effective and was ultimately withdrawn. As a result, the Company is required under the terms of the Registration Rights Agreement to pay to the Purchasers a partial liquidated damages penalty for failure to meeting the effectiveness date requirement, which is equal to 14% of the subscription amount.

On September 26, 2022, we entered into the Exchange Agreement with the Purchasers, pursuant to which (i) each Purchaser exchanged its Warrants for the New Warrants and (ii) each Purchaser consented to the New PIPE Terms, including an amendment and restatement of the terms of our Series E Preferred Stock.

In consideration for the issuance of the New Warrants and the other New PIPE Terms, we filed the amended and restated Certificate of Designation with the Secretary of State of the State of Nevada to effect certain changes contemplated by the Exchange Agreement.

The New PIPE Terms effect the following changes, among others, to the rights Series E Holders:

New Warrant Exercise Price: The New Warrant exercise price per share of common stock was $0.55, provided that if all shares of Series E Preferred Stock issued pursuant to the Certificate of Designation were not repurchased by the Company on or prior to November 26, 2022, on such date, the exercise price per share of the New Warrants reverted to $2.00, subject to further adjustment as set forth in the New Warrant. In general, such further adjustments provide that, subject to acceleration by the holder thereof, after the Subsequent Adjustment Period, the exercise price is adjusted to the lesser of the exercise price then in effect or the greater of (i) the average of the ten (10) lowest daily VWAPs during the Subsequent Adjustment Period and (ii) $0.25.Pursuant to such terms, the exercise price is currently fixed at $0.25 per share.

Series E Conversion Price: The conversion price for the Series E Preferred Stock was initially equal $0.40 per share, and so long as the arithmetic average of the daily volume-weighted average prices of the Common Stock for the calendar week prior to each of the following respective dates is lower than the Conversion Price at that time, the Conversion Price shall be downwardly adjusted by $0.01 on each of October 24, 2022, October 31, 2022, November 7, 2022, November 14, 2022 and November 21, 2022. The conversion prices were subject to further adjust upon conclusion of the Subsequent Adjustment Period, subject to acceleration by the holder thereof, to the lesser of the conversion price then in effect or the greater of (i) the average of the ten (10) lowest daily VWAPs during the Subsequent Adjustment Period and (ii) $0.25. The conversion price was subsequently adjusted to $0.25 per share.

Standstill Period: The Purchasers agreed to the 60-day Standstill Period, during which each Series E Holder agreed not to convert more than 50% of the Series E Preferred Stock held by such holder at the beginning of the Standstill Period.

Series E Buyout: During the Standstill Period the Company was required to use commercially reasonable efforts to raise funds to repurchase all outstanding shares of Series E Preferred Stock held by the Purchasers at a purchase price of $100 per share, subject to the provisions of the Certificate of Designation. No such funds were raised.

Limitation on Sales: During the Standstill Period, the Purchasers agreed not to sell shares of the Company's common stock for a price less than $0.30 per share.

Liquidated Damages: The Company agreed to pay to the Purchasers all liquidated damages owed through September 21, 2022 (including any pro-rated amounts).

As of December 31, 2022 , the Company had paid an aggregate of $3.6 million as partial liquidated damages as a result of not filing the registration statement by July 5, 2022. As such, as of December 31, 2022, the Company has recorded a contingent liability in the amount of $3.4 million. On February 17, 2023 the Company filed a request with the SEC to withdraw the registration statements previously filed on April 4, 2022 and May 6, 2022. See Note 12 - Commitments and Contingencies to the consolidated financial statements included in Item 8 of this Transition Report on Form 10-K/T for further discussion.

The Company utilized the full amount of proceeds raised in the Series E offering to pay a portion of the cash payment for Converge Direct, LLC and its subsidiaries.

Contractual Obligations

	Payments Due by Period				
	Year 1	**Years 2-3**	**Years 4-5**	**>5 Years**	**Total**
Operating lease obligations [a]	$ 1,949,000	$ 3,404,000	$ 2,571,000	$ 2,354,000	$ 10,278,000
Debt repayment [b]	1,912,500	7,650,000	64,068,750	—	$ 73,631,250
Restructuring liabilities [c]	698,683	163,669	35,507 587,371	—	$ 897,859
Acquisition liabilities [d]	9,293,402	—	—	—	$ 9,293,402
Total	$ 13,853,585	$ 11,217,669	$ 66,675,257	$ 2,354,000	$ 94,100,511

[a] *Operating lease obligations primarily represent future minimum rental payments on various long-term noncancellable leases for office space. Lease obligations related to excess facilities associated with the Company wide restructuring plan are included within the operating lease obligations line.*

[b] *Debt repayments consists of principal repayments required under the Company's Credit Facility.*

(c) Restructuring liabilities relate primarily to future severance payments and other exit costs

(d) Acquisition liabilities recorded on the balance sheet consist of the Company's obligations to the Converge Sellers arising from the Converge Acquisition. See Note 3 - Business Combinations and Dispositions.

Cash Flow Discussion

	Six Months Ended December 31,		Year Ended June 30,	
	2022	2021	2022	2021
		(unaudited)		
Net cash provided by (used in) operating activities	$ 2,136,544	$ (5,978,000)	$ (7,103,274)	$ (6,838,000)
Net cash used in investing activities	$ (809,048)	$ (93,000)	$ (82,893,824)	$ (1,534,000)
Net cash provided by (used in) financing activities	$ (5,597,500)	$ (50,000)	$ 112,620,310	$ 19,157,000

Operating Activities

Net cash provided by operating activities for the six months ended December 31, 2022 increased $8.1 million, or 136%, to $2.1 million as compared to the prior year period. The net increase in the working capital deficit was primarily due to higher revenue and gross margin for the six months ended December 31, 2022, which is reflective of the Converge Acquisition.

Net cash used in operating activities for the year ended June 30, 2022 increased approximately $0.3 million to $7.1 million, as compared to the prior year period. The increase is primarily due to a net increase in working capital which is reflective of the Converge Acquisition.

Investing Activities

Net cash used in investing activities for the six months ended December 31, 2022 increased $0.7 million, or 770%, to $0.8 million. The increase was primarily driven by $0.6 million paid for the sale of Mission-Media Holdings Ltd. and $0.2 million paid for property and equipment.

Net cash used in investing activities for the year ended June 30, 2022 increased by approximately $81.4 million to $82.9 million, as compared to the prior year period, related to the net cash paid for the Converge Acquisition.

Financing Activities

Net cash used in financing activities for the six months ended December 31, 2022 increased $5.6 million, or 11095%, to $5.6 million. The increase was the result of approximately $3.6 million of cash paid as partial liquidated damages as a result of not filing the registration statement by July 5, 2022, coupled with approximately $1.9 million in principal payments on the Credit Facility, and $0.1 million of cash paid related to related party notes payable.

Net cash provided by financing activities for the year ended June 30, 2022 increased by approximately $93.5 million to $112.6 million. The increase was the result of approximately $69.7 million in net proceeds from the Credit Facility coupled with approximately $44.4 million of net proceeds related to the issuance of the Series E Convertible Preferred Stock private placement, partially offset by the absence of $20.7 million in net proceeds from the initial public offering during the year ended June 30, 2021.

Recently Issued Accounting Pronouncements Not Yet Adopted and Critical Accounting Estimates

Recently Issued Accounting Pronouncements Not Yet Adopted

*S*ee Note 2 to the consolidated financial statements included in Item 8 of this Transition Report on Form 10-K/T for information regarding recently issued accounting pronouncements not yet adopted.

Critical Accounting Policies

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amount of revenues and expenses. Management believes its use of estimates in the consolidated financial statements to be reasonable. See Note 2 to the consolidated financial statements included in Item 8 of this Transition Report on Form 10-K/T for more information regarding the Company's use of estimates. The significant accounting policies which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition
The Company recognizes revenue in accordance with the Financial Accounting Standards Board's ("FASB"), Accounting Standards Codification ("ASC") ASC 606, Revenue from Contracts with Customers ("ASC 606"). Revenues are recognized when control is transferred to customers in amounts that reflect the consideration the Company expects to be entitled to receive in exchange for those goods. Revenue recognition is evaluated through the following five (5) steps:

(i) identification of the contract, or contracts, with a customer;
(ii) identification of the performance obligations in the contract;
(iii) determination of the transaction price;
(iv) allocation of the transaction price to the performance obligations in the contract; and
(v) recognition of revenue when or as a performance obligation is satisfied.

Goodwill
Goodwill is the excess of the purchase price paid over the fair value of the net assets of the acquired business. Goodwill is tested annually for impairment. The annual qualitative or quantitative assessments involve determining an estimate of the fair value of reporting units in order to evaluate whether an impairment of the current carrying amount of goodwill exists. A qualitative assessment evaluates whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step quantitative goodwill impairment test. The first step of a quantitative goodwill impairment test compares the fair value of the reporting unit to its carrying amount including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss may be recognized. The amount of impairment loss is determined by comparing the implied fair value of the reporting unit's goodwill with the carrying amount. If the carrying amount exceeds the implied fair value then an impairment loss is recognized equal to that excess.

The Company has adopted the provisions of ASU 2017-04—Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 requires goodwill impairments to be measured on the basis of the fair value of a reporting unit relative to the reporting unit's carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. Thus, ASU 2017-04 permits an entity to record a goodwill impairment that is entirely or partly due to a decline in the fair value of other assets that, under existing GAAP, would not be impaired or have a reduced carrying amount. Furthermore, the ASU removes "the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test." Instead, all reporting units, even those with a zero or negative carrying amount will apply the same impairment test. Accordingly, the goodwill of reporting unit or entity with zero or negative carrying values will not be impaired, even when conditions underlying the reporting unit/entity may indicate that goodwill is impaired.

We test our goodwill for impairment annually, or, under certain circumstances, more frequently, such as when events or circumstances indicate there may be impairment. We are required to write down the value of goodwill only when our testing determines the recorded amount of goodwill exceeds the fair value. As a result of the change in our fiscal year, o ur annual measurement date for testing goodwill impairment is October 31.

None of the goodwill prior to the Converge Acquisition is deductible for income tax purposes. The goodwill associated with the Converge Acquisition is deductible for income tax purposes on a straight-line basis over fifteen (15) years.

Intangible Assets
Intangible assets with finite useful lives consist of trade names, non-compete agreements, acquired workforce and customer relationships and are amortized on a straight-line basis over their estimated useful lives, which range from three to ten years. The estimated useful lives associated with finite-lived intangible assets are consistent with the estimated lives of the associated products and may be modified when circumstances warrant. Such assets are reviewed for impairment when events or circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset and its eventual disposition are less than its carrying amount. The amount of any impairment is measured as the difference between the carrying amount and the fair value of the impaired asset.

Stock-Based Compensation
The Company recognizes stock-based compensation in accordance with ASC Topic 718 "Stock Compensation", which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to an Employee Stock Purchase Plan based on the estimated fair values.

For non-employee stock-based compensation, the Company has adopted ASC 2018-07, Improvements to Nonemployee Share-Based Payment Accounting which expands on the scope of ASC 718 to include share-based payment transactions for acquiring services from non-employees and requires stock-based compensation related to non-employees to be accounted for based on the fair value of the related stock or the fair value of the services at the grant date, whichever is more readily determinable in accordance with ASC Topic 718.

Foreign Currency Translation:
The consolidated financial statements of the Company are presented in United States Dollars ("USD"). The functional currency for the Company is USD for all entities other than Mission-Media Limited whose operations are based in the United Kingdom and their functional currency is British Pound Sterling ("GBP"). Transactions in currencies other than the functional currencies are recorded using the appropriate exchange rate at the time of the transaction. All assets and liabilities are translated into USD at balance sheet date, stockholders' equity is translated at historical rates, and revenue and expense accounts are translated at the average exchange rate for the year or the reporting period. The translation adjustments are reported as a separate component of stockholders' equity, captioned as accumulated other comprehensive (loss) income. Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of operations.

The relevant translation rates are as follows: at the date of the Mission-Media Holdings Ltd. transaction (August 1, 2022), the Company used a closing rate of $1.217670 US$:GBP, and a yearly average rate of $1.285833 US$:GBP; for the year ended June 30, 2022, closing rate at $1.219050 US$:GBP, yearly average rate at $1.330358 US$:GBP, for the year ended June 30, 2021, closing rate at $1.382800 US$:GBP, yearly average rate at $1.346692 US$:GBP.

At the period-end date of December 31, 2022, the Company did not have any subsidiaries that used a foreign functional currency.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data.

This item appears in a separate section following Item 14.

Item 9. Change in and Disagreements with Accountants and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to the Company's management, including its Principal Executive Officer/Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company has recently implemented a robust internal procedure for creating, drafting, and filing reports, eliminating the need for third party vendors and improving the speed and accuracy of reports.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Principal Executive Officer/Principal Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and the Principal Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were not effective.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. This rule defines internal control over financial reporting as a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

With the participation of the Chief Executive Officer/Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting. Based on this evaluation, our management has concluded that our internal controls over financial reporting were not effective as of December 31, 2022.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness; yet important enough to merit attention by those responsible for oversight of the registrant's financial reporting. Significant deficiencies as of December 31, 2022, include the lack of implementation of a complete internal control program.

Remediation of Deficiencies and Significant Deficiencies

During 2023, the Company will rollout a company-wide SOX lite program to mitigate the existing significant deficiencies. Since June 30, 2022, the Company has hired a Director of Treasury and Risk Management, Controller, and a Senior Manager of Technical Accounting as another level of review of financial transactions including the review of cash transactions, and financial reporting.

We will continue to establish and implement proper processes and systems to remediate the deficiencies we have had: including the ability to properly cure for revenue recognition deficiencies which include: having persuasive evidence that an arrangement exists in the form of a signed agreement, the price is fixed and determinable by having a purchase order signed by our customer and the Company, and written confirmation that goods or services have been delivered.

Preventive controls: We have established segregation of duties on main areas such as payroll, billing, cash recording, and IT controls.

Detective controls: During the six month transition period management implemented proper month-end close processes in order to ensure that there is adequate preparation and review over account reconciliations, specifically in the areas of cash, payroll, accrued expenses, revenue, and costs of revenues.

Limitations on the Effectiveness of Internal Controls

For the period ended December 31, 2022, management, including our Chief Executive Officer and our Chief Financial Officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting are or will be capable of preventing or detecting all errors or all potential fraud. Any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements, due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns may occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risk.

This transition report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this transition report.

Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information relating to Item 10 will be included in an amendment to this Form 10-KT/A and is incorporated herein by reference.

Item 11. Executive Compensation.

Information relating to Item 11 will be included in an amendment to this Form 10-KT/A and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information relating to Item 12 will be included in an amendment to this Form 10-KT/A and is incorporated herein by reference.

Item 13. Certain Relationships and Related Person Transactions and Director Independence.

Information relating to Item 13 will be included in an amendment to this Form 10-KT/A and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Information relating to Item 14 will be included in an amendment to this Form 10-KT/A and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Troika Media Group, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Troika Media Group, Inc. and Subsidiaries (the Company) as of December 31, 2022, June 30, 2022 and 2021, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the six months ended December 31, 2022 and each of the years in the two-year period ended June 30, 2022, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, June 30, 2022 and 2021, and the results of its operations and its cash flows for the six months ended December 31, 2022 and each of the years in the two-year period ended June 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for its allowance for credit losses in 2022.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Intangible Assets and Goodwill Impairment Tests – *Refer to Notes 2 and 10 to the financial statements*

As described in Note 2 to the consolidated financial statements, the Company evaluates, on a periodic basis, long-lived assets to be held and used for impairment which includes the intangible assets and goodwill. The evaluation is based on certain impairment indicators. The Board of Directors approved in December 2022, the Company's plan to de-emphasize Troika Design and Mission Culture operations and the Company terminated a number of employees of these entities. For finite life intangible assets, if these impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, then an estimate of the undiscounted value of expected future operating cash flows is used to determine whether the asset is recoverable. Intangible asset impairment charges recorded were $1.2 million for the six months ended December 31, 2022 for Troika Design and Mission Culture. No impairment was recorded for the intangible assets related to the Converge acquisition with a carrying value of $64.8 million at December 31, 2022, because the future undiscounted cash flow from the intangibles exceeded the carrying values. Goodwill impairments are measured on the basis of the fair value of a reporting unit relative to the reporting unit's carrying amount. For the six months ended

December 31, 2022, a goodwill impairment charge of approximately $9.8 million was recorded for Troika Design and Mission Culture. No impairment was recorded for the goodwill related to the Converge acquisition with a carrying value of $45.6 million at December 31, 2022, because the fair value of the business unit exceeded the carrying value. The significant estimation uncertainty was primarily due to the sensitivity of the respective fair values to underlying assumptions about future performance of the Converge reporting unit. These significant assumptions were forward-looking and could be affected by future economic and market conditions.

The principal considerations for our determination that performing procedures relating to the future undiscounted cash flows of intangible assets and a valuation of goodwill as a critical audit matter are (1) there was a high degree of auditor judgment and subjectivity in applying procedures relating to the fair value of the Converge reporting unit due to the significant judgment by management when developing the estimates and (2) significant audit effort was required in evaluating the significant assumptions relating to the estimates, including the income projections and discount rates. In addition, the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

How we addressed the Matter in our Audit:

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included the following:

a. Inquiry of management regarding the development of the assumptions used in the cash flow projections for the intangible assets.
b. Testing management's process included evaluating the appropriateness of the valuation models, testing the completeness, accuracy, and relevance of underlying data used in the models, and testing the reasonableness of significant assumptions, including the income and expense projections.
c. Reviewed the credentials and evaluated the experience, qualifications and objectivity of the Company's specialist, a third-party valuation firm.
d. Obtained an understanding of the nature of the work the Company's specialist performed, including the objectives and scope of the specialist's work; the methods or assumptions used; and a comparison of the methods or assumptions used with industry standards and historical data.
e. Identified and evaluated assumptions developed by the specialist considering assumptions generally used in the specialist's field; supporting evidence provided by the specialist; existing market data; historical or recent experience and changes in conditions and events affecting the Company.
f. Evaluated the Company's estimates of future revenue projections by completing a retrospective comparison to historical revenue and support for revenue growth rates. We tested the significant assumptions discussed above, as well as the completeness and accuracy of the underlying data used in the projected cash flows and valuations.
g. RBSM, LLP utilized professionals with specialized skill and knowledge to assist in evaluating the reasonableness of significant assumptions.
h. Tested the reconciliation of the fair value of the Converge reporting unit developed by management to the market valuation of the Company as of the valuation date.

/s/ RBSM LLP

We have served as the Company's auditor since 2014.
New York, NY
March 7, 2023

PCAOB ID Number 587

Troika Media Group, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2022	June 30, 2022	June 30, 2021
ASSETS			
Current assets:			
Cash and cash equivalents	$ 28,403,797	$ 32,673,801	$ 12,066,000
Accounts receivable, net	6,487,031	9,421,497	1,327,000
Prepaid expenses and other current assets	1,388,084	1,289,183	671,000
Contract assets	4,314,268	23,586,036	—
Total current assets	40,593,180	66,970,517	14,064,000
Other assets	702,750	2,124,832	626,000
Property and equipment, net	618,699	589,205	343,000
Right-of-use lease assets, net	3,029,785	8,965,426	6,887,000
Amortizable intangible assets, net	64,761,111	70,306,005	2,603,000
Goodwill	45,518,505	55,349,535	19,368,000
Total assets	$ 155,224,030	$ 204,305,520	$ 43,891,000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 14,270,063	$ 15,298,068	$ 2,362,000
Accrued and other current liabilities	7,434,095	5,478,865	6,001,000
Accrued billable expenses	7,810,126	23,170,683	—
Acquisition liabilities	9,293,402	9,108,504	—
Current portion of long-term debt, net of deferred financing costs	1,551,211	1,538,220	—
Convertible notes payable	60,006	50,000	50,000
Note payable - related party, current	30,000	100,000	200,000
Net related party payables, current	—	—	41,000
Contract liabilities	6,209,442	11,321,159	5,973,000
Operating lease liabilities, current	1,506,534	2,682,457	3,344,000
Taxes payable, net	58,242	689,882	62,000
Derivative liabilities- financing warrants	—	30,215,221	13,000
Contingent liability	3,385,000	3,615,000	—
Restructuring liabilities	897,859	—	—
Stimulus loan program, current	—	—	22,000
Total current liabilities	52,505,980	103,268,059	18,068,000
Long-term liabilities:			
Long-term debt, net of deferred financing costs	64,833,844	65,581,203	—
Operating lease liabilities, non-current	7,192,662	8,994,073	5,835,000
Preferred stock liability	—	15,996,537	—
Stimulus loan program, non-current		—	547,000
Other liabilities	212,432	74,909	703,000
Total liabilities	$ 124,744,918	$ 193,914,781	$ 25,153,000
Commitment and contingencies (Note 12)			
Stockholders' equity:			
Preferred stock, $0.01 par value: 15,000,000 shares authorized	—	—	—
Series A Preferred Stock ($0.01 par value: 5,000,000 shares authorized; issued and outstanding 0, 0, and 720,000 shares as of December 31, 2022 and June 30, 2022 and 2021, respectively)	—	—	7,000
Series B Convertible Preferred Stock ($0.01 par value: 3,000,000 shares authorized; issued and outstanding 0, 0, and 0 shares as of December 31, 2022 and June 30, 2022, and 2021, respectively)	—	—	—
Series C Convertible Preferred Stock ($0.01 par value: 1,200,000 shares authorized; issued and outstanding 0, 0, and 0 shares as of December 31, 2022 and June 30, 2022, and 2021, respectively)	—	—	—
Series D Convertible Preferred Stock ($0.01 par value: 2,500,000 shares authorized; issued and outstanding 0,0, and 0 shares as of December 31, 2022 and June 30, 2022, and 2021, respectively)	—	—	—
Series E Convertible Preferred Stock ($0.01 par value: 500,000 shares authorized; issued and outstanding 310,793, 500,000, and 0 shares as of December 31, 2022 and June 30, 2022, and 2021, respectively); redemption amount and liquidation preference $31.1 million, $50.0 million, and $0 as of December 31, 2022 and June 30, 2022, and 2021, respectively	3,107	8,000	—
Common stock, ($0.001 par value: 800,000,000 shares authorized; issued and outstanding 139,302,225, 64,209,616, and 39,496,588 shares as of December 31, 2022 and June 30, 2022, and 2021, respectively)	139,302	43,660	40,000
Additional paid-in-capital	265,673,246	236,876,523	204,788,000
Stock payable	—	—	1,210,000
Accumulated deficit	(235,336,543)	(225,582,006)	(186,889,000)
Accumulated other comprehensive loss	—	(955,438)	(418,000)
Total stockholders' equity	$ 30,479,112	$ 10,390,739	$ 18,738,000
Total liabilities and stockholders' equity	$ 155,224,030	$ 204,305,520	$ 43,891,000

The accompanying notes are an integral part of these consolidated financial statements.

Troika Media Group, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss

	For the Six Months Ended December 31, 2022	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
Revenue	$ 187,910,491	$ 116,409,703	$ 16,192,000
Cost of revenue	162,250,051	88,127,498	7,504,000
Gross margin	25,660,440	28,282,205	8,688,000
Operating expenses:			
Selling, general and administrative expenses	22,658,206	45,271,857	25,372,000
Depreciation and amortization	4,423,831	3,097,780	2,299,000
Restructuring and other related charges	6,868,066	5,590,932	—
Impairment and other losses (gains), net	11,066,341	7,708,677	(3,142,000)
Total operating expenses	45,016,444	61,669,246	24,529,000
Operating loss	(19,356,004)	(33,387,041)	(15,841,000)
Other income (expense):			
Amortization expense of note payable discount	—	—	(409,000)
Loss contingency on equity issuance	(3,385,000)	(3,615,000)	—
Interest expense	(6,174,849)	(2,943,367)	(7,000)
Foreign exchange loss	(944,417)	(30,215)	(48,000)
Gain on change in fair value of derivative liabilities	20,004,367	638,622	72,000
Net gain on sale of subsidiary	82,894	—	—
Other income, net	212,386	679,920	452,000
Total other income (expense)	9,795,381	(5,270,040)	60,000
Loss from operations before income taxes	(9,560,623)	(38,657,081)	(15,781,000)
Income tax expense	(19,122)	(35,925)	(216,000)
Net loss	$ (9,579,745)	$ (38,693,006)	$ (15,997,000)
Foreign currency translation adjustment	955,438	(537,438)	(671,000)
Comprehensive loss	$ (8,624,307)	$ (39,230,444)	$ (16,668,000)
Loss per share:			
Basic	$ (0.12)	$ (0.79)	$ (1.03)
Diluted	$ (0.12)	$ (0.79)	$ (1.03)
Weighted-average number of common shares outstanding:			
Basic	78,420,414	49,225,698	15,544,032
Diluted	78,420,414	49,225,698	15,544,032

The accompanying notes are an integral part of these consolidated financial statements.

Troika Media Group, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity

	Preferred Stock - Series A $0.01 Par Value Amount	Preferred Stock - Series B $0.01 Par Value Amount	Preferred Stock - Series C $0.01 Par Value Amount	Preferred Stock - Series D $0.01 Par Value Amount	Preferred Stock - Series E $0.01 Par Value Capital	Common Stock $0.001 Par Value Amount	Additional Paid In Capital	Stock Payable	Accumulated Deficit	Accumulated other comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE— June 30, 2020	**$ 7,000**	**$ 25,000**	**$ 9,000**	**$ 20,000**	**$ —**	**$ 16,000**	**$ 176,262,000**	**$ 1,300,000**	**$(170,892,000)**	**$ 253,000**	**$ 7,000,000**
Net loss	—	—	—	—	—	—	—	—	(15,997,000)	—	(15,997,000)
Sale of common stock in initial public offering, gross	—	—	—	—	—	6,000	23,994,000	—	—	—	24,000,000
Offering costs relating to initial public offering	—	—	—	—	—	—	(3,298,000)	—	—	—	(3,298,000)
Record stock payable relating to Redeeem acquisition	—	—	—	—	—	—	—	1,210,000	—	—	1,210,000
Record vested portion of deferred compensation relating to Redeeem	—	—	—	—	—	—	362,000	—	—	—	362,000
Conversion of preferred stock – series B upon up-listing	—	(25,000)	—	—	—	1,000	24,000	—	—	—	—
Conversion of preferred stock – series C upon up-listing	—	—	(9,000)	—	—	12,000	147,000	—	—	—	150,000
Conversion of preferred stock – series D upon up-listing	—	—	—	(20,000)	—	5,000	15,000	—	—	—	—
Cashless issuance of common stock related to convertible notes payables	—	—	—	—	—	1,000	1,749,000	—	—	—	1,750,000
Stock-based compensation on options	—	—	—	—	—	—	881,000	—	—	—	881,000
Stock-based compensation on warrants	—	—	—	—	—	—	3,176,000	—	—	—	3,176,000
Beneficial conversion features on convertible promissory notes	—	—	—	—	—	—	144,000	—	—	—	144,000
Retirement of common stock	—	—	—	—	—	(3,000)	3,000	—	—	—	—
Issuance of common stock related to stock payable	—	—	—	—	—	2,000	1,298,000	(1,300,000)	—	—	—
Warrants granted for convertible promissory notes	—	—	—	—	—	—	12,000	—	—	—	12,000
Imputed interest on convertible note payable	—	—	—	—	—	—	19,000	—	—	—	19,000
Foreign currency translation loss	—	—	—	—	—	—	—	—	—	(671,000)	(671,000)
BALANCE— June 30, 2021	**7,000**	**—**	**—**	**—**	**—**	**40,000**	**204,788,000**	**1,210,000**	**(186,889,000)**	**(418,000)**	**18,738,000**
Net loss	—	—	—	—	—	—	—	—	(38,693,006)	—	(38,693,006)
Issuance of common stock related to Redeeem acquisition	—	—	—	—	—	—	1,210,000	(1,210,000)	—	—	—
Issuance of common stock related to Converge Acquisition	—	—	—	—	—	—	14,875,000	—	—	—	14,875,000
Issuance of common stock to employee	—	—	—	—	—	—	104,000	—	—	—	104,000
Issuance of common stock to contractors	—	—	—	—	—	—	40,000	—	—	—	40,000
Record vested portion of deferred compensation relating to											

Redeeem, net of forfeiture	—	—	—	—	—	3,660	3,011,389	—	—	—	3,015,049
Issuance of preferred stock for PIPE	—	—	—	—	8,000	—	(5,000)	—	—	—	3,000
Stock-based compensation	—	—	—	—	—	—	13,292,534	—	—	—	13,292,534
Redemption of preferred stock - Series A	(7,000)	—	—	—	—	—	(439,400)	—	—	—	(446,400)
Foreign currency translation loss	—	—	—	—	—	—	—	—	—	(537,438)	(537,438)
BALANCE— June 30, 2022	**—**	**—**	**—**	**—**	**8,000**	**43,660**	**236,876,523**	**—**	**(225,582,006)**	**(955,438)**	**10,390,739**
Net loss	—	—	—	—	—	—	—	—	(9,579,745)	—	(9,579,745)
Stock-based compensation	—	—	—	—	—	1,533	2,680,081	—	—	—	2,681,614
Reclassification of foreign currency translation loss	—	—	—	—	—		—	—	—	955,438	955,438
Cumulative adjustment upon adoption of ASU 2016-13	—	—	—	—	—		—	—	(174,792)	—	(174,792)
Reclassification of derivative liabilities - financing warrants to additional paid-in-capital	—	—	—	—	—	—	10,210,855	—	—	—	10,210,855
Reclassification of preferred stock liability to equity	—	—	—	—	—	—	15,905,787	—	—	—	15,905,787
Conversion of preferred shares to common shares	—	—	—	—	(4,893)	94,109	—	—	—	—	89,216
BALANCE— December 31, 2022	**$ —**	**$ —**	**$ —**	**$ —**	**$ 3,107**	**$ 139,302**	**$ 265,673,246**	**$ —**	**$(235,336,543)**	**$ —**	**$ 30,479,112**

The accompanying notes are an integral part of the consolidated financial statements.

Troika Media Group, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Six Months Ended December 31, 2022	Twelve months ended June 30, 2022	Twelve months ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(9,579,745)	$ (38,693,006)	$ (15,997,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	109,248	146,890	131,000
Amortization of intangibles	4,314,583	2,950,889	2,168,000
Amortization of right-of-use assets	888,346	783,752	1,112,000
Accretion of fair value liability	184,898	—	—
Amortization of deferred financing costs	1,178,132	791,292	—
Impairment and other losses (gains)	11,066,341	7,708,677	(3,142,000)
Stock-based compensation	2,681,614	16,307,583	4,419,000
Common stock issuances	—	80,800	—
Gain on sale of Subsidiary	(82,894)	—	—
Warrants related to financing of convertible note payable	—	—	12,000
Imputed interest for note payable	—	—	19,000
Gain on change in fair value of derivative liabilities	(20,004,367)	(638,622)	(72,000)
Discount on derivative liability	—	—	85,000
Provision (reversal) for bad debt	354,049	(124,058)	(260,000)
Preferred shares converted to common stock	—	—	150,000
Beneficial conversion features on convertible promissory notes	—	—	144,000
Tax provision on income	—	—	216,000
Loss on early termination of lease	202,150	—	—
Loss contingency on equity issuance	3,385,000	3,615,000	—
Change in operating assets and liabilities:			
Contract assets	18,535,990	—	—
Accounts receivable	2,107,272	13,360,992	(226,000)
Prepaid expenses	(197,018)	(526,186)	(527,000)
Accounts payable and accrued expenses	(13,836,260)	8,622,568	1,246,000
Other assets	1,123,308	(24,234,556)	3,000
Operating lease liability	(932,014)	(3,123,381)	(919,000)
Due to related parties	—	828,249	41,000
Restructuring liabilities	3,655,168	—	—
Other long-term liabilities	172,764	(624,103)	477,000
Contract liabilities	(3,190,021)	5,663,946	2,376,000
Contract liabilities to government grant	—	—	1,706,000
Net cash provided by (used in) operating activities	2,136,544	(7,103,274)	(6,838,000)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash paid for acquisition of Converge	—	(82,730,000)	—
Net cash paid for acquisition of Redeeem	—	—	(1,376,000)
Net cash paid for disposal of Mission UK	(613,535)	—	—
Purchase of property and equipment	(195,513)	(163,824)	(158,000)
Net cash used in investing activities	(809,048)	(82,893,824)	(1,534,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bank loan, net of debt issuance cost	—	69,717,960	—
Payments made for loss contingency	(3,615,000)	—	—
Proceeds from the issuance of preferred stock, net of offering costs	—	44,405,000	—
Proceeds from initial public offering, net of offering costs	—	—	20,702,000
Proceeds from stimulus loan programs	—	—	569,000
Principal payments made for bank loan	(1,912,500)	(956,250)	—
Payments to note payable of related party	(70,000)	(100,000)	(2,479,000)
Payments made for the redemption of Series E preferred stock	—	(446,400)	—
Proceeds from convertible note payable	—	—	500,000
Payments to convertible note payable	—	—	(135,000)
Net cash provided by (used in) financing activities	(5,597,500)	112,620,310	19,157,000
Effect of exchange rate on cash	—	(2,015,411)	(425,000)
Net (decrease) increase in cash, cash equivalents	(4,270,004)	20,607,801	10,360,000
CASH AND CASH EQUIVALENTS — beginning of year	32,673,801	12,066,000	1,706,000
CASH AND CASH EQUIVALENTS — end of year	$ 28,403,797	$ 32,673,801	$ 12,066,000
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Income taxes	$ —	$ —	$ —
Interest expense	$ 4,738,360	$ 1,998,958	$ —
Noncash investing and financing activities:			
Preferred shares liability reclassified to equity	$ 15,997,000	$ —	$ 54,000
Shares to be issued for Converge acquisition	$ —	$ 14,875,000	$ —
Shares to be issued for Redeeem acquisition	$ —	$ —	$ 1,210,000
Issuance of common stock related to convertible note payable	$ —	$ —	$ 1,750,000
Issuance of common stock related to stock payable	$ —	$ —	$ 1,300,000
Right-of-use assets acquired through operating leases	$ —	$ —	$ 2,642,000
Derivative liabilities - financing warrants reclassified into equity	$ 10,210,855	$ —	$ —

The accompanying notes are an integral part of these consolidated financial statements.

TROIKA MEDIA GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended December 31, 2022 and the Years Ended June 30, 2022 and June 30, 2021

NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Troika Media Group, Inc. ("Company", "our" or "we") is a professional services company that architects and builds enterprise value in consumer facing brands to generate scalable performance driven revenue growth. The Company delivers a three solutions pillars that **CREATE** brands and experiences and **CONNECT** consumers through emerging technology products and ecosystems to deliver **PERFORMANCE** based measurable business outcomes.

On March 22, 2022 (the "Closing Date"), the Company through its wholly owned subsidiary Converge Acquisition Corp executed a Membership Interest Purchase Agreement ("MIPA") for the acquisition of all the equity of Converge Direct, LLC and its affiliates ("Converge") for an aggregate purchase price of $125.0 million valued at $114.9 million. The MIPA identifies the seller parties as the Converge Sellers. See Note 3 - Business Combinations and Dispositions for full discussion on the transaction.

Basis of Presentation

On October 20, 2022 the Company's Board of Directors approved a change in the Company's fiscal year from a fiscal year ending on the last day of June each year to a calendar fiscal year ending on the last day of December of each year, effective January 1, 2023. Accordingly, these financial statements contain six month transitional financial statements as of and for the period ending December 31, 2022, and will become calendar year financial statements thereafter.

The Company previously reported on a fiscal year basis ending on June 30th. In these consolidated financial statements, the fiscal years ended June 30, 2022 and 2021, are referred to as "fiscal year", and the six month period ending December 31, 2022, is referred to as "transition period".

The accompanying consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries, Troika Design Group, Inc., Troika Services Inc., Troika Analytics Inc., Troika Productions, LLC (California), Troika-Mission Holdings, Inc. (New York), Mission Culture LLC (Delaware), Mission-Media USA, Inc. (New York), Troika IO, Inc. (f/k/a Redeeem Acquisition Corp) (California), CD Acquisition Corp. (Delaware), Converge Direct, LLC (New York), Converge Marketing Services, LLC (to the extent of 40%) (New York), Converge Interactive, LLC (New York), and Lacuna Ventures, LLC (New York). The Mission-Media Holdings Limited (United Kingdom) financial statements are consolidated until the date of disposal, which was on August 1, 2022. All significant intercompany accounts and transactions have been eliminated in consolidation.

Impact of the COVID-19 Pandemic

The Company's operations and operating results were materially impacted by the COVID-19 pandemic (including COVID-19 variants) and actions taken by governmental authorities. The Company received loans totaling $3.4 million in relief under the CARES Act in the form of Small Business Administration ("SBA") backed loans in SBA stimulus Payroll Protection Program ("PPP") funding. The Company received approximately $1.7 million in April 2020, of which the majority of these funds were used for payroll. As per the US Government rules, the funds used for payroll, healthcare benefits, and other applicable operating expenses can be forgiven and the Company reported them as such in December 2020 considering the Company believed we had substantially met these conditions. On August 14, 2020, the Company received an additional $0.5 million in loans with 30-year terms under the SBA's "Economic Injury Disaster Loan" program which the Company used to address any cash shortfalls that resulted from the pandemic. In February 2021, the Company obtained additional relief under the CARES Act in the form of an SBA backed loan and received an additional $1.7 million in SBA stimulus PPP funds which was used for payroll, healthcare benefits, and other applicable operating expenses. The Company has met all conditions for the forgiveness of the funding and no amounts are due as of December 31, 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Combinations

The acquisition method of accounting for business combinations requires management to use significant estimates and assumptions, including fair value estimates, as of the business combination date and to refine those estimates as necessary during the measurement period (defined as the period, not to exceed one year, in which the Company is allowed to adjust the provisional amounts recognized for a business combination).

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions about future events. These estimates and assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and reported amounts of revenue and expenses. Such estimates include the assessment of the collectability of accounts receivable and the determination of the allowance for doubtful accounts, valuation of warrants and options, goodwill, intangible assets, other long-lived assets, and tax accruals. In addition, estimates are used in revenue recognition, performance and share-based compensation, depreciation and amortization, litigation matters and other matters. Management believes its use of estimates in the financial statements to be reasonable.

Management evaluates its estimates on an ongoing basis using historical experience and other factors, including the general economic environment and actions it may take in the future. The Company adjusts such estimates when facts and circumstances dictate. However, these estimates may involve significant uncertainties and judgments and cannot be determined with precision. In addition, these estimates are based on management's best judgment at a point in time and, as such, these estimates may ultimately differ from actual results. Changes in estimates resulting from weakness in the economic environment or other factors beyond the Company's control could be material and would be reflected in the Company's financial statements in future periods.

Revenue Recognition

The Company generates revenue principally from two material revenue streams: Managed Services and Performance Solutions.

The Company's Managed Services are typically orientated around the management of a customer's marketing, data and/or creative program. The Company's deliverables relate to the planning, designing and activating of a solution program or set of work products. The Company executes this revenue stream by leveraging internal and external creative, technical or media-based resources, third party AdTech solutions, proprietary business intelligence systems, data delivery systems, and other key services required under the terms of a scope of work with a client. Revenue in certain cases is earned based on a percentage (%) of a customer's total budget (or media spend) or retainer, which is recognized as a net revenue, while other revenue is recognized on a gross basis.

The Company's Performance Solutions are typically orientated around the delivery of a predetermined event or outcome to a client. Typically, the revenue associated with the event (as agreed upon in a scope of work) is based on a click, lead, call, appointment, qualified event, case, sale, or other defined business metric. The Company engages in a myriad of consumer engagement tactics, ecosystems, and methods to generate and collect a consumer's interest in a particular service or good.

The Company's revenue recognition policies that describe the nature, amount, timing, and uncertainty associated with each major revenue source from contracts with customers are described in Note 4 - Revenue and Accounts Receivable.

Cost of Revenue

Cost of revenue primarily consists of necessary costs incurred to generate revenue. Examples include payment for advertising and marketing services engaged for on behalf of a client, direct labor incurred, and certain creative design and production related costs. These costs are typically expensed as incurred.

Advertising

Advertising costs are typically charged to expense when incurred. The Company may receive rebates on advertising from co-operative advertising agreements with several vendors and suppliers. These rebates are recorded as a reduction to the related advertising and marketing expense. Total advertising costs classified in selling, general, and administrative during the six months ended December 31, 2022 and years ended June 30, 2022 and 2021, were approximately $0.1 million, $0.2 million, and $0, respectively.

Income Taxes

The Company accounts for its income taxes in accordance with Income Taxes Topic of the FASB ASC 740, which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Income tax expense is based on reported earnings before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for consolidated financial reporting purposes and such amounts recognized for tax purposes and are measured by applying enacted tax rates in effect in years in which the differences are expected to reverse.

The Company also follows the guidance related to accounting for income tax uncertainties. In accounting for uncertainty in income taxes, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company has net operating losses for both their US and UK entities; however, a full valuation allowance was recorded due to uncertainties in realizing the deferred tax asset (Note 17 – Income Taxes).

Stock-based Compensation

The Company recognizes stock-based compensation in accordance with ASC Topic 718 "Stock Compensation", which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to an Employee Stock Purchase Plan based on the estimated fair values.

For non-employee stock-based compensation, the Company has adopted ASC 2018-07, *Improvements to Nonemployee Share-Based Payment Accounting* which expands on the scope of ASC 718 to include share-based payment transactions for acquiring services from non-employees and requires stock-based compensation related to non-employees to be accounted for based on the fair value of the related stock or the fair value of the services at the grant date, whichever is more readily determinable in accordance with ASC Topic 718.

Cash and Cash Equivalents

The Company considers the balance of its investment in funds that substantially hold highly liquid securities that mature within three months or less from the date the fund purchases these securities to be cash equivalents. The carrying amount of cash and cash equivalents either approximates fair value due to the short-term maturity of these instruments or is at fair value. Checks outstanding in excess of related book balances are included in accounts payable in the accompanying consolidated balance sheets. The Company presents the change in these book cash overdrafts as cash flows from operating activities.

Short-Term Investments

Short-term investments include investments that (i) have original maturities of greater than three months and (ii) the Company has the ability to convert into cash within one year. The Company classifies short-term investments at the time of purchase as "held-to-maturity" and re-evaluates its classification quarterly based on whether the Company had the intent and ability to hold until maturity. Short-term investments, which were recorded at cost and adjusted for accrued interest, approximate fair value. Cash inflows and outflows related to the sale and purchase of short-term investments are classified as investing activities in the Company's consolidated statements of cash flows. As of December 31, 2002, June 30, 2022 and June 30, 2021 the Company had no short-term investments.

Accounts Receivable

Accounts receivable is recorded at net realizable value. The Company maintains an allowance for credit losses to reserve for potentially uncollectible receivables. During the six months ended December 31, 2022, the Company adopted ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, The allowance for credit losses is estimated based on the Company's consideration of credit risk and analysis of receivables aging, specific identification of certain receivables that are at risk of not being paid, past collection experience and other factors. As of December 31, 2022, June 30, 2022, and 2021, the Company had $1.0 million, $0.6 million, and $0.5 million in allowance for doubtful accounts, respectively.

Property and Equipment and Other Long-Lived Assets

Property and equipment and other long-lived assets, including amortizable intangible assets, are stated at cost or acquisition date fair value, if acquired. Expenditures for new facilities or equipment, and expenditures that extend the useful lives of existing facilities or equipment, are capitalized and recorded at cost. The useful lives of the Company's long-lived assets are based on estimates of the period over which the Company expects the assets to be of economic benefit to the Company. In estimating the useful lives, the Company considers factors such as, but not limited to, risk of obsolescence, anticipated use, plans of the Company, and applicable laws and permit requirements. Depreciation starts on the date when the asset is available for its intended use. Costs of maintenance and repairs are expensed as incurred.

Property and equipment are depreciated on a straight-line basis using the estimated lives indicated below (in years):

	Estimated Useful Lives
Computer equipment	3
Website design	5
Office machine & equipment	5
Furniture & fixtures	7
Leasehold improvements	7
Tenant incentives	7

Intangible assets with finite lives are depreciated on a straight-line basis using the estimated lives indicated below (in years):

	Estimated Useful Lives
Customer relationships	10
Non-core customer relationships	8
Technology	5
Tradename	10
Workforce acquired	3

Impairment of long-lived-assets

The Company evaluates, on a periodic basis, long-lived assets to be held and used for impairment in accordance with the reporting requirements of ASC 360-10. The evaluation is based on certain impairment indicators, such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as well as other external market conditions or factors that may be present. If these impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, then an estimate of the undiscounted value of expected future operating cash flows is used to determine whether the asset is recoverable and the amount of any impairment is measured as the difference between the carrying amount of the asset and its estimated fair value. The fair value is estimated using valuation techniques such as market prices for similar assets or discounted future operating cash flows. Intangible asset impairment charges recorded were $1.2 million, $0.4 million, and $0 for the six months ended December 31, 2022 and years ended June 30, 2022 and 2021, respectively.

The Company has adopted the provisions of ASU 2017-04—Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. ASU 2017-04 requires goodwill impairments to be measured on the basis of the fair value of a reporting unit relative to the reporting unit's carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. Thus, ASU 2017-04 permits an entity to record a goodwill impairment that is entirely or partly due to a decline in the fair value of other assets that, under existing GAAP, would not be impaired or have a reduced carrying amount. Furthermore, the ASU removes "the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test." Instead, all reporting units, even those with a zero or negative carrying amount will apply the same impairment test. Accordingly, the goodwill of reporting unit or entity with zero or negative carrying values will not be impaired, even when conditions underlying the reporting unit/entity may indicate that goodwill is impaired. For the six months ended December 31, 2022 and years ended June 30, 2022 and 2021, a goodwill impairment charge of approximately $9.8 million, $8.7 million, and $0, respectively, was recorded as a result of the Company's annual impairment assessment. The total impairment charge for the six months ended December 31, 2022 consisted of approximately $2.9 million for Troika Design and $6.9 million for Mission Culture. The total impairment charge for the year ended June 30, 2022 consisted of approximately $2.0 million for Redeem and $6.7 million for Mission-Media Holdings Limited. See Note 10 - Intangible Assets & Goodwill for additional information.

Leases

The Company's leases primarily consist of corporate office space. The Company determines whether an arrangement contains a lease at the inception of the arrangement. If a lease is determined to exist, the lease term is assessed based on the date when the underlying asset is made available by the lessor for the Company's use. The Company's assessment of the lease term reflects the non-cancellable term of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options which the Company is reasonably certain not to exercise, as well as periods covered by renewal options which the Company is reasonably certain to exercise. The Company's lease agreements do not contain material residual value guarantees or material restrictive covenants.

The Company determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation reflected in the consolidated and combined statements of operations and statements of cash flows over the lease term.

For leases with a term exceeding 12 months, a lease liability is recorded on the Company's consolidated balance sheets at lease commencement reflecting the present value of the fixed minimum payment obligations over the lease term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. In addition, the ROU asset is adjusted to reflect any above or below market lease terms under acquired lease contracts.

The Company includes fixed payment obligations related to non-lease components in the measurement of ROU assets and lease liabilities, as the Company has elected to account for lease and non-lease components together as a single lease component. ROU assets associated with finance leases are presented separate from ROU assets associated with operating leases and are included within Property and equipment, net on the Company's consolidated balance sheets. For purposes of measuring the present value of the Company's fixed payment obligations for a given lease, the Company uses its incremental borrowing rate, determined based on information available at lease commencement, as rates implicit in the underlying leasing arrangements are typically not readily determinable. The Company's incremental borrowing rate reflects the rate it would pay to borrow on a secured basis and incorporates the term and economic environment surrounding the associated lease.

For operating leases, fixed lease payments are recognized as lease expense on a straight-line basis over the lease term. For finance leases, the initial ROU asset is depreciated on a straight-line basis over the lease term, along with recognition of interest expense associated with accretion of the lease liability, which is ultimately reduced by the related fixed payments. For leases with a term of 12 months or less ("short-term leases"), any fixed lease payments are recognized on a straight-line basis over the lease term and are not recognized on the consolidated balance sheets. Variable lease costs for both operating and finance leases, if any, are recognized as incurred and such costs are excluded from lease balances recorded on the consolidated balance sheets.

Fair Value Measurement

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

- Level I — Quoted prices for identical instruments in active markets.
- Level II — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level III — Instruments whose significant value drivers are unobservable.

Fair-value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2022, June 30, 2022, and June 30, 2021. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, and convertible notes payable. Fair values for these items were assumed to approximate carrying values because of their short term nature or they are payable on demand. The Company uses Level 3 inputs for its valuation methodology for the embedded conversion option liabilities as the fair values were determined by using the Black-Scholes option-pricing model based on various assumptions. The Company's derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. See Note 9 - Fair Value Measurements for additional information.

Concentration of Credit Risk

Financial instruments that potentially may subject the Company to a concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains cash and cash equivalent account balances with financial institutions in the United States and United Kingdom which at times exceed federally insured limits for accounts in the United States. Considering deposits with these institutions can be redeemed on demand, the Company believes there is minimal risk. As of December 31, 2022, June 30, 2022 and June 30, 2021, the Company had approximately $26.2 million, $30.0 million, and $10.1 million in cash that was uninsured, respectively.

For the six months ended December 31, 2022, six (6) customers accounted for 85.5% of our net revenues. For the fiscal years ending June 30, 2022 and 2021, six (6) customers accounted for 74.1% and 42.4% of our net revenues, respectively. As of December 31, 2022, four (4) customers made up 81.1% of the net receivable balance. As of June 30, 2022 and June 30, 2021, three (3) customers made up 75.9% and 44.2%, respectively, of the net receivable balance.

Derivative Liability

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity" and ASC 815, "Derivatives and Hedging". Derivative liabilities are adjusted to reflect their fair value at each period end with any increase or decrease in the fair value being recorded in results of operations. The fair value of derivative instruments such as convertible note payables and warrant liabilities are valued using the Black-Scholes option-pricing model based on various assumptions.

Retirement Benefits

We maintain a 401(k) retirement savings plan (or 401(k) Plan) under which all of our employees are eligible to participate beginning on the first day of the month after their employment with us begins. The 401(k) Plan includes a deferral feature under which a participant may elect to defer his or her compensation by up to the statutorily prescribed IRS limits. Currently, we also match participant contributions to the 401(k) Plan up to 3% of the participant's annual eligible earnings. We believe that providing a vehicle for retirement savings through our 401(k) Plan, and making matching contributions, adds to the overall desirability of our executive compensation program. For the six months ended December 31, 2022 the Company has made payments of $0.2 million, and as of December 31, 2022 accrued $1.6 million related to safe harbor contributions. As of June 30, 2022 and 2021, the Company did not make any contributions to the 401(k) retirement savings plan. See Note 12 - Commitments and Contingencies for additional information.

Restructuring and Related Costs

Costs associated with restructuring plan generally consist of involuntary termination benefits, contract termination costs, and other exit-related costs including costs to close facilities. The Company records a liability for involuntary termination benefits when management has committed to a plan that established the terms of the arrangement and that plan has been communicated to employees. Costs to terminate a contract before the end of the term are recognized on the termination date, and costs that will continue to be incurred in a contract for the remaining term without economic benefit are recognized as the cease of use date. Restructuring and related costs may also include the write down of related assets, including operating lease right of use assets, when the sale or abandonment of the asset is a direct result of the plan. Other exit related costs are recognized as incurred. Restructuring and related costs are recognized as an operating expense within the consolidated statements of operations and are classified based on the Company's classification policy for each category of operating expense.

Foreign Currency Translation

The consolidated financial statements of the Company are presented in U.S. dollars. The functional currency for the Company is U.S. dollars for all entities other than Mission-Media Holdings Limited, whose operations are based in the United Kingdom and their functional currency is British Pound Sterling (GBP). Transactions in currencies other than the functional currencies are recorded using the appropriate exchange rate at the time of the transaction. All assets and liabilities are translated into U.S. Dollars at balance sheet date using closing rate, shareholders' equity is translated at historical rates and revenue and expense accounts are translated at the average exchange rate for the year or the reporting period. The translation adjustments are reported as a separate component of stockholders' equity, captioned as accumulated other comprehensive (loss) income. Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the Statement of Operations.

The relevant translation rates are as follows: at the date of the Mission-Media Holdings Limited transaction (August 1, 2022), the Company utilized a closing rate of $1.217670 US$:GBP, and a yearly average rate of $1.285833 US$:GBP; for the year ended June 30, 2022, closing rate at $1.219050 US$:GBP, yearly average rate at $1.330358 US$:GBP, for the year ended June 30, 2021, closing rate at $1.382800 US$:GBP, yearly average rate at $1.346692 US$:GBP.

At the period-end date of December 31, 2022, the Company did not have any foreign subsidiaries.

Comprehensive loss

Comprehensive loss is defined as a change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. For the Company, comprehensive loss for the six months ending December 31, 2022 and the years ending June 30, 2022 and 2021, included net loss and unrealized gains (losses) from foreign currency translation adjustments.

Earnings per Share

Net income (loss) per common share is calculated in accordance with ASC Topic: 260 Earnings per Share. Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net loss per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. In periods where the Company has a net loss, all dilutive securities are excluded.

The following are dilutive common stock equivalents as of December 31, 2022, which were not included in the calculation of loss per share, since the Company had a net loss from continuing operations and a net loss:

	December 31, 2022	June 30, 2022	June 30, 2021
Convertible preferred stock	124,317,000	33,333,333	48,000
Stock payables	—	—	588,354
Stock options	3,437,000	3,616,836	2,766,467
Stock warrants	4,147,000	6,771,223	7,248,702
Financing warrants	266,666,640	70,270,019	—
Restricted stock units	3,800,000	4,450,000	—
Total	402,367,640	118,441,411	10,651,523

Stimulus Funding

In accordance with IAS-20, Accounting for Government Grants and Disclosure of Government Assistance, the proceeds from government grants are to be recognized as a deferred income liability and reported as income as the related costs are expensed. On December 31, 2022 and June 30, 2022, the Company had no deferred income liabilities. On June 30, 2021, the Company recorded deferred income liabilities of approximately $0.3 million within contract liabilities and $0.6 million within stimulus loans, respectively. For the fiscal years ending June 30, 2022 and 2021, the Company recognized approximately $0.3 million, and $3.1 million in income from government grants, respectively. For the six months ended December 31, 2022, the Company had no income from government grants.

Recent Accounting Pronouncements

Accounting Pronouncements Adopted

In August 2020, FASB issued ASU 2020-06, "Debt—Debt with Conversion and Other and Derivatives and Hedging—Contracts in Entity's Own Equity: Accounting for Convertible Instruments and Contracts in an Entity's Own Equity" which simplifies the accounting for convertible instruments by removing the separation models for convertible debt with a cash conversion feature and convertible instruments with a beneficial conversion feature. As a result, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost. These changes will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that was bifurcated according to previously existing rules. Also, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share and the treasury stock method will be no longer available. The Company has adopted the guidance effective July 1, 2021. The adoption of the pronouncement did not have a material impact on the financial statements when adopted.

In December 2019, the FASB issued amended guidance in the form of ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This ASU is intended to simplify various aspects related to accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying certain aspects of the current guidance to promote consistency among reporting entities. The Company has adopted the guidance effective July 1, 2021.

During the six months ended December 31, 2022, the Company adopted ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, or ASU 2016-13, which changes the impairment model for most financial assets, including accounts receivable. The new model uses a forward-looking expected loss method. Historically, the credit loss experience on our client billings has not resulted in material bad debt expense. Accordingly, the adoption of ASU 2016-13 did not have a significant impact on our financial position, or on our results of operations. As a result of the adoption of ASU 2016-13, we changed our accounting policy for allowance for doubtful accounts as follows: We maintain an allowance for doubtful accounts related to potential losses that could arise due to our customers' inability to make required payments. This allowance requires management to apply judgment in deriving the estimated reserve. In connection with the estimate of our allowance, we perform ongoing credit evaluations of our customers' financial condition, including information related to their credit ratings obtained from independent third-party firms. If, as a result, we become aware that additional reserves may be necessary, we perform additional analysis including, but not limited to, factors such as a customer's creditworthiness, intent and ability to pay and overall financial position. If the data we use to calculate the allowance for doubtful accounts does not timely reflect the future ability to collect outstanding receivables, including the effects of the COVID-19 pandemic on our clients' credit, additional provisions for doubtful accounts may be needed and our results of operations could be affected. Since the Company adopted ASU 2016-13 during this transition period, a modified retrospective approach was used by using a cumulative-effect adjustment to the opening retained earnings balance.

For the period ended December 31, 2022, we recorded bad debt expense of $0.4 million and increased our allowance for doubtful accounts to $1.0 million. The Company recorded in retained earnings the cumulative effect of the adoption of the accounting pronouncement of $0.2 million.

Accounting Standards Update 2021-04—Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force). The Company adopted this standard effective July 1, 2022. The adoption of the pronouncement did not have a material impact on the financial statements when adopted.

Accounting Pronouncements Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Subtopic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" ("ASU 2021-08"), which is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency. ASU 2021-08 is effective for the Company beginning January 1, 2023. This update should be applied prospectively on or after the effective date of the amendments. The Company is currently evaluating the effect of adopting this ASU.

NOTE 3 – BUSINESS COMBINATIONS AND DISPOSITIONS

Redeeem, LLC

Redeeem Asset Purchase

On May 21, 2021, the Company through its wholly owned subsidiary Redeeem Acquisition Corp executed an asset purchase agreement for the acquisition of all the assets and specific liabilities of Redeeem, LLC, a California limited liability company ("Redeeem"). The asset purchase agreement identifies the seller parties as Redeeem, LLC and Kyle Hill. The purchase price consisted of an aggregate cash payment of $1.2 million, 452,929 shares of the Company's common stock valued at $1.2 million at $2.6715 per share, and a cash payment of $0.2 million relating to specific liabilities. The Company accounted for the transaction under the purchase method of accounting in accordance with the provisions of ASC Topic 805 Business Combinations (ASC 805).

In addition to the purchase price detailed above, the Company also agreed to provide 3,623,433 shares of the Company's common stock valued at approximately $9.7 million at $2.6715 per share to Redeeem's employees which will be vested over three (3) years. For the six months ended December 31, 2022, and the years ended June 30, 2022 and 2021, the Company recognized approximately $0, $3.0 million, and $0.4 million, respectively, in stock-based compensation relating to the vested portion of this deferred compensation. For further detail, please see Note 15 – Stockholders' Equity.

Redeeem Disposition

During fourth quarter of fiscal year 2022, the Company wound down operations of Redeeem, LLC and on June 7, 2022, Mr. Kyle Hill, the seller of Redeeem, entered into a separation agreement with the Company ("Separation Agreement"). The terms of the Separation Agreement provided that the compensation for the Redeeem purchase would be modified and Hill would forfeit 1,231,967 of the 3,623,433 shares placed in escrow. The remaining escrow balance of 1,231,968 shares at June 7, 2022, would continue to be governed by the terms of the escrow agreement. As a result, the Company impaired the net value of the intangible assets and goodwill acquired with the purchase, totaling approximately $2.5 million as of June 30, 2022, as well as returned the 1,231,967 shares forfeited by Mr. Hill to Treasury stock, valued at $3.0 million (based on share price of $2.6715 at June 11, 2021). The 1,231,968 shares remaining in escrow are still reported as outstanding as of December 31, 2022. The Company is in the process of having the shares returned from escrow and will retire the shares.

Converge Acquisition

On March 22, 2022 (the "Closing Date"), the Company through its wholly owned subsidiary CD Acquisition Corp, executed a Membership Interest Purchase Agreement ("MIPA") for the acquisition of all the equity of Converge Direct, LLC and its affiliates ("Converge") and 40% of the equity of Converge Marketing Services, LLC an affiliated entity, for a notional aggregate purchase price of $125.0 million valued for accounting purposes at approximately $114.9 million. The MIPA identifies the seller parties as the Converge Sellers.

Purchase Price

The cash portion of the purchase price consists of $65.9 million paid on the date of the acquisition, $29.1 million held in escrow payable upon satisfaction of certain conditions, and another $5.0 million payable 12 months after the acquisition date contingent on the Company satisfying its bank covenants and at the option of the payee payment will be in the form of cash or common stock of the Company valued at $2.00 per share. The remaining $25.0 million was paid in the form of 12.5 million shares of the Company's restricted common stock at a price of $2.00 per share, which for accounting purposes was valued at $1.19 per share for $14.9 million. All 12.5 million shares were subject to a nine (9) month lock-up period. Pursuant to the provisions of the MIPA dated as of November 22, 2021, as amended, an aggregate of $2.5 million (10%) or 1,250,000 shares of the common stock issued to the Sellers are held in escrow to secure against claims for indemnification. The escrowed shares will be held until the later of (a) one year from the Closing Date, or (b) the resolution of indemnification claims. The Company is accounting for the transaction under the purchase method of accounting in accordance with the provisions of ASC Topic 805 Business Combinations (ASC 805). On the Closing Date, Converge became a wholly-owned subsidiary.

The Company recorded the $5.0 million payable due at March 21, 2023, at its net present value of $4.7 million at March 22, 2022. Further, pursuant to the MIPA, the Company recorded an additional liability totaling $4.3 million which represents the excess net working capital value received by the Company at the purchase date. Per the terms of the MIPA, this amount was to be repaid within 120 days of closing. As of December 31, 2022, the total $9.3 million is included within acquisition liabilities on the consolidated balance sheets.

On March 21, 2022, the Company entered into employment agreements with Sid Toama and Tom Marianacci, two (2) former owners of Converge. Mr. Toama was appointed President of TMG and Mr. Marianacci was appointed as President of the Converge entities.

Purchase Price Allocation

The Company negotiated the purchase price based on the expected cash flows to be derived from their operations after integration into the Company's existing distribution, production and service networks. The acquisition purchase price is allocated based on the fair values of the assets acquired and liabilities assumed, which are based on management estimates and third-party appraisals. The Company engaged a valuation expert to provide guidance to management which was considered and in part relied upon in completing its purchase price allocation. The excess of the purchase price over the aggregate estimated fair value of net assets acquired was allocated to goodwill.

The following table summarizes the allocation of the purchase price of the assets acquired related to the acquisition as of the closing date:

Current assets	$	33,856,000
Fixed assets		233,000
Other non-current assets		4,340,000
Intangible assets		71,100,000
Goodwill		45,519,000
Current liabilities		(34,904,000)
Other non-current liabilities		(5,506,000)
Consideration	$	114,638,000

Intangible Assets

The estimated fair values of the identifiable intangible assets acquired were calculated using an income valuation approach which requires a forecast of expected future cash flows either through the use of relief-from-royalty method or multi-period excess earnings methods ("MPEEM"). The estimated useful lives are based on the Company's experience and expectations as to the duration of the time the Company expects to realize benefits of the assets.

The estimated fair values of the identifiable intangible assets acquired, estimated useful lives and related valuation methodology are as follows:

Intangible Assets:		**Fair Value**	**Life in Years**	**Discount Rate**	**Valuation Method**
Customer relationships	$	53,600,000	10	17.8%	Income (MPEEM)
Technology		10,400,000	5	17.8%	Income (Relief-from-Royalty)
Tradename		7,100,000	10	18.8%	Income (Relief-from-Royalty)
	$	71,100,000			

The Company will amortize the intangible assets above on a straight line basis over their estimated useful lives.

NOTE 4 – REVENUE AND ACCOUNTS RECEIVABLE

The Company generates revenues primarily by delivering both managed services and performance based marketing services to customers.

Managed Services revenue	$	104,644,907
Performance Solutions revenue		75,652,075
Other revenue		7,613,509
	$	187,910,491

The Company's revenue recognition policies that describe the nature, amount, timing and uncertainty associated with each major source of revenue from contracts with customers are summarized below.

Managed and Professional Services

Company provides a service such as, but not limited to, media planning, media buying, media ROI measurement, and media or marketing performance reporting. The Company enters into agreements with internet search companies, third-party publishers and/or strategic partners to generate customer acquisition services for their Managed Services customer.

The Company is compensated for the delivery of services and/or goods to a client and the revenue includes both the anticipated costs to deliver the product or service as well as the Company's margin, which is arranged in one of three ways (i) a predetermined retainer amount; (ii) cost plus margin or (iii) a predetermined commission percentage based on the total media spend executed by Company on a client's behalf.

The Company recognizes managed and professional service fees over time by measuring the progress toward complete satisfaction of a performance obligation by measuring its performance in transferring control of the services contractually delivered to a client by applying the input method. Revenue is recognized based on the extent of inputs expended toward satisfying a performance obligation and it was determined that the best judge of inputs is the costs consumed by a project in relation to its total anticipated costs.

Consultative service engagements typically do not incur a significant amount of direct costs; however, any costs are recognized as incurred. Professional services fees are recognized evenly throughout the term of the agreement.

Performance Solutions ("Pay Per Event")

Company provides to its clients the ability to pay for a marketing or sales event rather than incurring the media and services expense in a managed service engagement. The Company utilizes the same functions that it delivers in its managed services offering but only charges a client for a predetermined marketing or sales outcome. The fees in this situation will typically be tied to a (i) cost per phone call, (ii) cost per web form lead, (iii) cost per consumer appointment, (iv) cost per qualified lead, and (v) cost per sale. There is a premium that is charged to the client for the Performance Marketing service due to the fact that the Company is taking on the cost risk associated with the services and media that it is executing without knowing that revenue will be generated. The risk is mitigated by the fact that the client has agreed to purchase the "work product" (lead, call, etc.) at a predetermined cost and the Company charges higher margins associated with the service.

The Company recognizes revenues for performance advertising when a user engages with the advertisement, such as a click, a view, or a purchase. Generally, advertising revenues are reported on a gross basis, that is, the amounts billed to our customers are recorded as revenues, and amounts paid to suppliers are recorded as cost of revenues. Where we are the principal, we control the advertising and services before it is transferred to our customers. Our control is evidenced by our being primarily responsible to our customers and having a level of discretion in establishing pricing.

The Company's payment terms vary by the type of customer. Generally, payment terms range from prepayment to sixty (60) days after revenue is earned.

Principal versus Agent Revenue Recognition

Our customers reimburse for expenses relating to the out-of-pocket costs associated with the provision of Managed Services engagements. This includes third party expenses such as media costs and administrative fees, technology fees, production expenses, data costs, and other third-party expenses that the Company incurs on behalf of a client that is needed to deliver the services. The Company recognizes reimbursement income over time by measuring the progress toward complete satisfaction of a performance obligation by measuring its performance in transferring control of the services contractually delivered to a client by applying the input method. The revenue is recognized based on the extent of inputs expended toward satisfying a performance obligation and it was determined that the best judge of input is the costs incurred to date in relation to the anticipated costs. As a result, unless an overage or saving is identified, the reimbursement income equates to the reimbursement costs incurred. Given that the Company contracts directly with the majority of the vendors and is liable for any overages, the Company is deemed a principal in this revenue transaction as they have control over the asset and transfer the asset themselves. As a result, this transaction is recorded gross rather than net. Accruals for costs incurred but not yet billed by third parties are recorded in accrued billable expenses on the consolidated balance sheets.

Contract Balances from Contracts with Customers

An account receivable is recorded when there is an unconditional right to consideration based on a contract with a customer. For certain types of contracts with customers, the Company may recognize revenue in advance of the contractual right to invoice the customer, resulting in an amount recorded to contract assets. Once the Company has an unconditional right to consideration under these contracts, the contract assets are reclassified to accounts receivable.

When consideration is received from a customer prior to transferring services to the customer under the terms of a contract, a contract liability (deferred revenue) is recorded. Deferred revenue is recognized as revenue when, or as, control of the services is transferred to the customer and all revenue recognition criteria have been met.

The following table provides information about current contract balances from contracts with customers:

	December 31, 2022	June 30, 2022	June 30, 2021
Accounts Receivable, net	$ 6,487,031	$ 9,421,497	$ 1,327,000
Contract assets	$ 4,314,268	$ 23,586,036	$ —
Contract liabilities	$ 6,209,442	$ 11,321,159	$ 5,973,000

Accounts receivable is presented net of allowance for doubtful accounts. The Company analyzes receivables aging, customer specific risks, and other factors to estimate its allowance. The Company's allowance for doubtful accounts was $1.0 million, $0.6 million and $0.5 million as of December 31, 2022, June 30, 2022, and June 30, 2021, respectively.

The amount of revenue recognized during the six months ended December 31, 2022, relating to the contract liabilities recorded as of June 30, 2022, was $7.2 million.

NOTE 5 – RESTRUCTURING CHARGES

For the six months ending December 31, 2022 and year ending June 30, 2022, the Company underwent organizational changes to further streamline operations. This restructuring program includes workforce reductions, closure of excess facilities, and other charges. The restructuring program resulted in costs incurred primarily for (1) workforce reduction of 113 employees across certain business functions and operating units, (2) abandoned or excess facilities relating to lease terminations and non-cancelable lease costs and (3) other charges, which include but are not limited to legal fees, regulatory/compliance expenses, and contractual obligations. During the six months ended December 31, 2022 and the year ended June 30, 2022, the Company recorded approximately $6.9 million and $5.6 million, respectively, for restructuring charges on the Statements of Operations. As of December 31, 2022, the Company had accrued restructuring charges of approximately $0.9 million, which is expected to be paid by the end of Fiscal Year 2027.

The components of the restructuring charges related to the restructuring program are listed below:

	Six Months Ended December 31, 2022	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
Excess facilities	$ 2,964,459	$ —	$ —
Severance and termination costs	1,159,683	2,299,732	—
Professional fees	1,453,785	—	—
MUK restructuring costs	376,466	—	—
Share-based compensation related to accelerated vesting	—	3,291,200	—
Other exit costs	913,673	—	—
Total restructuring costs	$ 6,868,066	$ 5,590,932	$ —

The following is a summary of the components of the restructuring reserve liability:

	December 31, 2022
Severance and termination costs	$ 496,599
Other exit costs	401,260
Total restructuring liabilities	$ 897,859

There were no restructuring liabilities recorded as of June 30, 2022 and June 30, 2021.

During the six months ended December 31, 2022, a total amount of approximately $2.2 million was paid for restructuring and other related charges. As of December 31, 2022, the remaining amount of restructuring charges to be paid was approximately $3.9 million. The remaining payments are expected to be paid in the following years: approximately $1.7 million in 2023, approximately $1.0 million in 2024, approximately $0.5 million in 2025, approximately $0.4 million in 2026, and approximately $0.2 million in 2027.

Of the $3.9 million expected cash payments, $3.0 million is related to the excess facilities charges due to non-cancelable lease costs that will be paid in future periods. These amounts are presented as operating lease liabilities on the Consolidated Balance Sheets as of December 31, 2022. The remaining amount of approximately $0.9 million is presented as Restructuring liabilities on the Consolidated Balance Sheets.

NOTE 6 – INVESTMENT IN NONCONSOLIDATED AFFILIATE

On March 22, 2022, the Company acquired 40% of the equity of Converge Marketing Services, LLC, an affiliate of Converge, which is accounted for under the equity method of accounting. At the acquisition date and as of December 31, 2022, the Company's carrying amount of the investment was insignificant. See Note 3 - Business Combinations and Dispositions for more information on the Converge Acquisition.

NOTE 7 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2022:

	December 31, 2022	June 30, 2022	June 30, 2021
Computer equipment	$ 820,000	$ 841,000	$ 697,000
Website design	6,000	6,000	6,000
Office machine & equipment	109,000	91,000	97,000
Furniture & fixtures	338,000	413,000	438,000
Leasehold improvements	436,000	379,000	135,000
Tenant incentives	—	—	145,000
Property and equipment, gross	1,709,000	1,730,000	1,518,000
Accumulated depreciation	(1,090,000)	(1,141,000)	(1,175,000)
Property and equipment, net	**$ 619,000**	**$ 589,000**	**$ 343,000**

During the six months ended December 31, 2022, and the years ended June 30, 2022 and 2021, depreciation expense was $0.1 million, $0.1 million, and $0.1 million, respectively.

NOTE 8 – LEASES

The Company has various operating leases for office space. Some leases include options to extend the lease term, generally at the Company's discretion. The leases generally provide for fixed annual rentals plus certain other costs. The Company's lease agreements do not include any material residual value guarantees or material restrictive covenants. Since the Company's leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate as of the lease commencement date to determine the present value of future lease payments. Upon the adoption of ASC Topic 842, Leases, the Company used the incremental borrowing rate on July 1, 2019 for all operating leases that commenced prior to that date.

Lease expense was approximately $1.3 million, $1.8 million, and $2.6 million for the six months ended December 31, 2022, and the years ended June 30, 2022, and 2021, respectively. In addition, the restructuring and other related charges include $3.0 million for the excess office space related to the Mission Culture and Troika Design Group entities. The $3.0 million charge to the restructuring and other related charges was offset by reducing the right-of-use asset on the Consolidated Balance Sheets.

In September 2022, the Company terminated the lease of one of their office facilities in Englewood Cliffs, New Jersey. As part of company-wide restructuring, the Company made the decision to cease using this space as of September 2022, and has no foreseeable plans to occupy it in the future. As of December 31, 2022 the Company has made total payments of $0.2 million for this termination. Further, the Company derecognized the associated right of use asset, and lease liability, and recorded a loss on the early termination of the lease of $0.2 million, which is recognized on the Statement of Operations on the line Restructuring Charges.
The following table summarizes the weighted-average remaining lease term and discount rate for operating leases:

	Six Months Ended	For the Year Ended	
	December 31, 2022	June 30, 2022	June 30, 2021
Weighted average remaining lease term in years	3.0 years	3.6 years	3.2 years
Weighted average discount rate	5.5%	5.5%	5.0%

As of December 31, 2022, the maturities of the Company's operating lease liabilities are as follows:

Fiscal year ending December 31, 2023	$	1,949,000
Fiscal year ending December 31, 2024		1,955,000
Fiscal year ending December 31, 2025		1,449,000
Fiscal year ending December 31, 2026		1,454,000
Fiscal year ending December 31, 2027		1,117,000
Thereafter		2,354,000
Total undiscounted operating lease payments	$	10,278,000
Less: imputed interest		(1,579,000)
Total operating lease liabilities	$	8,699,000
Less: current portion of operating lease liabilities		1,506,534
Operating lease liabilities, non-current	**$**	**7,192,662**

Lease Abatement

During the year ended June 30, 2022, the company entered into lease abatement agreements with certain landlords. A gain on rent abatement of approximately $0.2 million was recorded during the year ended June 30, 2022. For the six months ended December 31, 2022, and the year ended June 30, 2021, there were no gains or losses on rent abatement.

NOTE 9 - FAIR VALUE MEASUREMENTS

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are inputs for which market data is not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The fair value hierarchy consists of the following three levels:

- Level I — Quoted prices for identical instruments in active markets.
- Level II — Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level III — Instruments whose significant value drivers are unobservable.

The following table presents for each of these hierarchy levels, the Company's liabilities that are measured at fair value on a recurring basis:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Warrant liability	$—	$—	$ 30,215,221	$ 30,215,221

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Warrant liability	$—	$—	$—	$—

The estimated fair value of the warrant liability at December 9, 2022, June 30, 2022 and March 22, 2022 was determined using Level 3 inputs. Inherent in a Black-Scholes options pricing model are assumptions related to expected stock-price volatility, expected life, risk-free interest rate, dividend yield. The Company estimates the volatility of its ordinary shares based on projected volatility of comparable public companies that matches the expected remaining life of the warrants. The risk-free interest rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity similar to the expected remaining life of the warrants. The expected life of the warrants is assumed to be equivalent to their remaining contractual term. The dividend rate is based on the historical rate, which the Company anticipates to remain at zero.

The following table provides quantitative information regarding Level 3 fair value measurements as of December 9, 2022 and June 30, 2022:

	As of December 9, 2022	As of June 30, 2022
Exercise price	$ 0.25	$ 0.76
Stock price	$ 0.11	$ 0.76
Volatility	63.60 %	63.60 %
Expected life	four years	five years
Risk-free rate	3.99 %	2.42 %
Dividend yield	— %	— %

The change in the fair value of the derivative warrant liabilities, for the six months ended December 31, 2022 is summarized as follows:

Warrant liabilities at June 30, 2022	$ 30,215,221
Change in fair value of warrant liabilities	20,004,367
Warrant liabilities classification to equity (at December 9, 2022 valuation)	10,210,855
Warrant liabilities at December 31, 2022	$ —

NOTE 10 – INTANGIBLE ASSETS & GOODWILL

Intangible Assets

Intangible assets consisted of the following:

	December 31, 2022	June 30, 2022	June 30, 2021
Customer relationship	$ 53,600,000	$ 58,560,000	$ 4,960,000
Non-core customer relationships	—	760,000	760,000
Non-compete agreements	—	1,430,000	1,430,000
Technology	10,400,000	10,920,000	520,000
Tradename	7,100,000	7,570,000	470,000
Workforce acquired	—	2,125,000	2,125,000
	71,100,000	81,365,000	10,265,000
Less: accumulated impairment expense	—	(446,000)	—
Less: accumulated amortization	(6,339,000)	(10,613,000)	(7,662,000)
Net book value	$ 64,761,000	$ 70,306,000	$ 2,603,000

Purchased intangible assets with finite useful lives are amortized over their respective estimated useful lives. The Company's finite-lived intangible assets consist of customer relationships, contractor and resume databases, trade names, and internal use software and are being amortized over periods ranging from three to ten years. Purchased intangible assets are reviewed annually to determine if facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, recoverability is assessed by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. For the six months ended December 31, 2022 and the fiscal years ending June 30, 2022 and 2021, the Company recorded approximately $1.2 million, $0.4 million and $0 in impairment and other losses (gains), net, respectively. The impairment expense for the six months ended December 31, 2022, of $1.2 million, consisted of approximately $0.6 million related to customer relationships, $0.2 million related to non-core customer relationships, $0.2 million related to tradename, and $0.2 million related to non-compete agreements.

During the six months ended December 31, 2022 and the years ended June 30, 2022 and 2021, amortization expense was approximately $4.3 million, $3.0 million and $2.2 million, respectively.

Future amortization expense is as follows for the years ending December 31,	
2023	$ 8,150,000
2024	8,150,000
2025	8,150,000
2026	8,150,000
2027	6,532,000
Thereafter	25,629,000
	$ 64,761,000

Goodwill

As of December 31, 2022, the net goodwill balance was $45.5 million and accumulated impairment was $18.5 million. The impairment expense for the six months ending December 31, 2022 was approximately $9.8 million, comprised of $6.9 million relating to Mission Culture and $2.9 million relating to Troika Design.

As of June 30, 2022, the net goodwill balance was $55.3 million and accumulated impairment was $8.7 million. The impairment expense for the year ending June 30, 2022 was $8.7 million, comprised of $2.0 million relating to Redeeem and $6.7 million relating to Mission-Media Holdings Limited.

As of June 30, 2021, the net goodwill balance was $19.4 million. There was no impairment expense and no accumulated impairment for the year ending June 30, 2021.

Goodwill will be reassessed during our next annual measurement date of October 31, 2023. As of December 31, 2022, June 30, 2022, and June 30, 2021, the change in carrying value of Goodwill are listed below:

Balance at ended June 30, 2021	$	19,368,000
Goodwill acquired during the year		45,518,000
Goodwill impairment expense		(8,711,926)
Change in goodwill from foreign currency		(824,539)
Balance at ended June 30, 2022	$	55,349,535
Goodwill acquired during the year		—
Goodwill impairment expense		(9,831,030)
Change in goodwill from foreign currency		—
Balance at ended December 31, 2022	$	45,518,505

NOTE 11 – ACCRUED EXPENSES

As of December 31, 2022, June 30, 2022 and June 30, 2021, the Company recorded approximately $15.2 million, $28.6 million and $6.0 million in accrued expenses, respectively.

	As of December 31,		As of June 30,			
	2022		2022		2021	
Accrued expenses	$	6,903,150	$	3,825,570	$	4,819,000
Accrued billable expenses		7,810,126		23,170,683		—
Accrued payroll		530,945		851,276		294,000
Accrued taxes		—		802,019		888,000
	$	15,244,221	$	28,649,548	$	6,001,000

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Commitments

As of December 31, 2022, commitments of the Company in the normal course of business in excess of one year are as follows:

	Payments Due by Period				
	Year 1	Years 2-3	Years 4-5	>5 Years	Total
Operating lease obligations [(a)]	$ 1,949,000	$ 3,404,000	$ 2,571,000	$ 2,354,000	$ 10,278,000
Debt repayment [(b)]	1,912,500	7,650,000	64,068,750	—	$ 73,631,250
Restructuring liabilities [(c)]	698,683	163,669	35,507	—	$ 897,859
Acquisition liabilities [(d)]	9,293,402	—	—	—	$ 9,293,402
Total	$ 13,853,585	$ 11,217,669	$ 66,675,257	$ 2,354,000	$ 94,100,511

[(a)] Operating lease obligations primarily represent future minimum rental payments on various long-term noncancellable leases for office space. Lease obligations related to excess facilities associated with the Company wide restructuring plan are included within the operating lease obligations line.

[(b)] Debt repayments consists of principal repayments required under the Company's Credit Facility.

'[(c)] Restructuring liabilities relate primarily to future severance payments and other exit costs

(d) Acquisition liabilities recorded on the balance sheet consist of the Company's obligations to the Converge Sellers arising from the Converge Acquisition. See Note 3 - Business Combinations and Dispositions.

Contingencies

Partial Liquidated Damages

The Company agreed to pay to the Purchasers all liquidated damages owed through September 21, 2022 (including any pro-rated amounts), which totaled approximately $3.6 million, all of which has been paid. The Company accrued $3.4 million as of December 31, 2022, which is recorded under contingency on equity issuance on the Consolidated Balance Sheets.

The maximum liquidated damages is capped at $7.0 million.

401k Liability

In 2022, with new management in charge, the company discovered that it had not made the safe harbor non elective employer contributions to the 401k plan in 2017 pursuant to its 3% formula under plan terms, and the Company corrected that contribution for the affected participants, with earnings, in 2022.

The Company also discovered that it did not make the 3% safe harbor non elective employer contributions to the 401k plan for plan years 2018 through 2022. When the error was discovered in 2022, the Company attempted to correct the error by performing the applicable non-discrimination tests and by making qualified nonelective contributions (QNECs) to affected participant accounts. However, as the administration of the 401k plan did not conform to the plan terms with respect to the 3% employer contribution, additional correction is required. Although the Company is evaluating the appropriate corrective approach, the Company has accrued approximately $1.6 million related to the safe harbor 2018 – 2022 contributions, as of December 31, 2022.

Legal Matters

We may become a party to litigation in the normal course of business. In the opinion of management, there are no legal matters involving us that would have a material adverse effect upon our financial condition, results of operations or cash flows as of December 31, 2022.

In July 2021, the Company entered into a settlement agreement regarding the Stephenson legal dispute which settled all matters between the Company and the former owners of the Mission entities. The agreement provided for the full payment of all amounts due to the Company and allowed the Stephensons to sell the shares subject to a leak-out period. The agreement was filed with the Court and a settlement payment of approximately $0.9 million was recognized in the twelve (12) months ending June 30, 2022. In addition to this cash settlement, the Company also reversed approximately $0.1 million in accruals relating to the Stephensons which was recorded as other income.

NOTE 13 – CREDIT FACILITIES

Senior Secured Credit Facility

On March 21, 2022, Troika Media Group Inc., and each subsidiary of Troika Media Group Inc. as guarantors, entered into a Financing Agreement with Blue Torch Finance LLC ("Blue Torch"), as Administrative Agent and Collateral Agent.

This $76.5 million First Lien Senior Secured Term Loan (the "Credit Facility") formed the majority of the purchase price of the Converge Acquisition, as well as for working capital and general corporate purposes.

The Credit Facility provides for: (i) a Term Loan in the amount of $75.0 million; (ii) an interest rate of the LIBOR Rate Loan of three (3) months; (iii) a four-year maturity, amortized 5.0% per year, payable quarterly; (iv) a 1.0% commitment fee and an upfront fee of 2.0% ($1.5 million) of the Credit Facility paid at closing (capitalized into the Credit Facility bringing the initial loan balance to $76.5 million), plus an administrative agency fee of $250,000 per year; (v) a first priority perfected lien on all property and assets including all outstanding equity of the Company's subsidiaries; (vi) 1.5% fully-diluted penny warrant coverage in the combined entity; (vii) mandatory prepayment for 50.0% of excess cash flow and 100.0% of proceeds from various transactions; (viii) customary affirmative, negative and financial covenants; (ix) delivery of audited financial statements of Converge; and (x) customary closing conditions. The Company agreed to customary restrictive financial and non-financial covenants in the Credit Facility including, but not limited to, a debt leverage ratio, fixed charge coverage ratio, and maintaining liquidity of at least $6.0 million at all times.

The Company and each of its subsidiary Guarantors entered into a Pledge and Security Agreement (the "Security Agreement") dated as of March 21, 2022, as a requirement with the Credit Facility. Each Guarantor pledged and assigned to the Collateral Agreement and granted the Collateral Agent with a continuing security interest in all personal property and fixtures of the Guarantors (the "Collateral") and all proceeds of the Collateral. All equity of the Guarantors was pledged by the Borrower.

On March 21, 2022, each of the Company's Subsidiaries, as Guarantors, entered into an Intercompany Subordination Agreement (the "ISA") with the Collateral Agent. Under the ISA, each obligor agreed to the subordination of such indebtedness of each other obligor to such other obligations.

On March 21, 2022, the Company entered into an Escrow Agreement with Blue Torch Finance LLC and Alter Domus (US) LLC, as Escrow Agent. The Escrow Agreement provides for the escrow of $29.1 million of the $76.5 million proceeds, under the Credit Facility to be held until the audited financial statements of Converge Direct LLC and affiliates for the years ended December 31, 2020 and 2019, are delivered to Blue Torch Finance LLC, which were delivered during fourth quarter 2022. As of December 31, 2022, Blue Torch Finance LLC has not authorized the release of the funds in escrow.

Although the Company believes that the Converge Sellers' recourse is solely to the escrow account, it is possible that the Converge Sellers could make claims against the Company for the deferred amount. In the event that the Converge Sellers were to make and be successful in such claims, the Company believes that a court would likely order Blue Torch to release the escrowed funds to satisfy such claims

On October 14, 2022, Blue Torch and the Company entered into a Limited Waiver of events of default under the Financing Agreement that related to the Company's failure to satisfy certain financial and non-financial covenants. The Limited Waiver was scheduled to expire on October 28, 2022, if not terminated earlier by Blue Torch ("Waiver Period"), but was subsequently extended by the First Amendment to Limited Waiver to Financing Agreement dated as of October 28, 2022, the Second Amendment to the Limited Waiver to Financing Agreement dated as of November 11, 2022, the Third Amendment to the Limited Waiver to Financing Agreement dated as of November 25, 2022, the Fourth Amendment to the Limited Waiver to Financing Agreement dated as of December 9, 2022, and the Fifth Amendment to the Limited Waiver to Financing Agreement dated as of December 23, 2022. Refer to Note 18 Subsequent Events. in the Notes to Consolidated Financial Statements, included in Item 8. Financial Statements and Supplementary Data of this Transition Report, for further details on our debt.

The Company is working in good faith with Blue Torch to resolve the aforementioned events of default and has initiated a strategic review process to, among other things, explore other potential means of resolution with Blue Torch, including by engaging in a refinancing, sale or similar transaction.

In connection with the aforementioned note, the Company recorded deferred debt and issuance costs totaling $9.2 million. The discount and issuance costs will be amortized over the life of the note using the effective interest rate method. Amortization of deferred financing costs for the six months ended December 31, 2022, was approximately $1.2 million. For the years ended June 30, 2022 and 2021, amortization of deferred financing costs were $0.8 million and $0, respectively. As of December 31, 2022, and June 30, 2022 the Company made principal payments totaling approximately $1.9 million and $1.0 million, respectively. There was no amortization of deferred financing costs or principal payments made for the year ended June 30, 2021.

Convertible Note Payable

As of December 31, 2022, June 30, 2022 and June 30, 2021, there was a total of $60 thousand, $50 thousand, and $50 thousand respectively, in convertible notes payable outstanding.

Long term debt consists of the following at December 31, 2022, June 30, 2022, and June 30, 2021:

	Effective Interest Rate	December 31, 2022	June 30, 2022	June 30, 2021
Senior Note due 2026 (less unamortized discount and issuance costs of $7.2 million, $8.4 million, and $0, respectively)	14.18 %	$ 66,385,055	$ 67,119,000	$ —
Convertible Note		60,006	50,000	50,000
Related Party Note		30,000	100,000	200,000
Total debt		66,475,061	67,269,000	250,000
Less: current portion		1,641,217	1,688,000	250,000
Long-term debt, excluding current portion		$ 64,833,844	$ 65,581,203	$ —

The payments of principal to be made are as follows:

2023	$ 1,912,500
2024	3,825,000
2025	3,825,000
2026	64,068,750
	$ 73,631,250

At any time on or after March 21, 2022, and on or prior to March 21, 2026, the lender has the right to subscribe for and purchase from Troika Media Group, Inc., up to, initially 1,929,439 shares of Common Stock, subject to adjustment. Effective December 9, 2022, the number of shares were increased to 5,429,439. The exercise price per share of Common Stock under this Warrant shall be $0.01 per share. If at any time when this Warrant becomes exercisable and the Registration Statement is not in effect this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise".

NOTE 14 – RELATED PARTY

Related Party Transactions

Converge Sellers

During the third quarter of fiscal year 2022, in connection with the Converge Acquisition, the Company incurred amounts due to the Converge Sellers totaling $9.2 million. The Converge Sellers include Sadiq "Sid" Toama, CEO of Troika Media Group, Tom Marianacci, Head of Demand Solutions, of the Converge subsidiaries, wholly owned subsidiaries of Troika and Mike Carrano, Head of Supply Solutions, are all party to the amounts due. As of December 31, 2022 and June 30, 2022, there was $9.3 million and $9.1 million, respectively, outstanding and included on the balance sheet under acquisition liabilities. During the six months ended December 31, 2022, and year ended June 30, 2022, the Company recorded $0.2 million and $0 of interest expense related to accretion of the fair value of the liability. There were no such amounts recorded for the period ended June 30, 2021 related to acquisition liability or interest expense.

Converge Marketing Services ("CMS")

The Company has an Exclusive Services Agreement with CMS, a 40% owned entity, to provide advertising and related services. For the six months ended December 31, 2022, the Company generated revenue of $2.5 million from the CMS agreement. For the year ended June 30, 2022 the Company generated revenue of $1.3 million, which represents the revenue earned post-Converge acquisition.

Media Resource Group

Mr. Tom Marianacci, who is the Head of Demand Solutions of the Company and one of the Converge sellers, currently holds more than 5% of the Company's equity. Mr. Marianacci serves as an Owner and executive director of Media Resource Group ("MRG") company that entered into a service agreement with the Company, dated January 1st, 1997, under which MRG agreed to provide certain media services to the Company. The Company paid approximately $0.8 million and $0.4 million to MRG for the six months ended December 31, 2022 and the period between March 21, 2022 and June 30, 2022, respectively.

Other

As of December 31, 2022, June 30, 2022 and 2021, the Company owed the founder and CEO of Troika Design Group, Inc. Dan Pappalardo approximately $30 thousand, $0.1 million and $0.2 million, respectively.

For the six months ended December 31, 2022, the Company paid Thomas Ochocki, a member of the Company's Board of Directors and Managing Member of Union Investment Management Limited, approximately $18 thousand, for various reimbursable expenses and paid Union Eight Ventures Ltd. and Union Investment Management Ltd. approximately $0.4 million for consulting fees.

In April 2021, the Company paid $0.3 million to the estate of Sally Pappalardo representing the outstanding principal of $0.2 million and accrued interest of $0.1 million. The holder provided the Company a signed release acknowledging all obligations under the note had been paid in full.

NOTE 15 – STOCKHOLDERS' EQUITY

Employee and Director Incentive Plans

2017 EQUITY INCENTIVE PLAN

On June 13, 2017, the Board adopted and approved an amendment to the Troika Media Group, Inc. 2015 Employee, Director and Consultant Equity Incentive Plan (the "Equity Plan"), to change the name from M2 nGage Group, Inc. to Troika Media Group, Inc., in order to attract, motivate, retain, and reward high-quality executives and other employees, officers, directors, consultants, and other persons who provide services to the Company by enabling such persons to acquire an equity interest in the Company. Under the Plan, the Board (or the compensation committee of the Board, if one is established) may award stock options, either stock grant of shares of the Company's common stock, incentive stock options ("ISOs") under IRS section 422, or a non-qualified stock option ("Non-ISOs") (collectively "Options"). The Plan allocates 3,333,334 shares of the Company's common stock ("Plan Shares") for issuance of equity awards under the Plan. As of December 31, 2022, the Company has granted, under the Plan, awards in the form of non-qualified stock options ("NQSOs") for all 3,333,334 shares.

2021 EQUITY INCENTIVE PLAN

On October 28, 2021, the Board adopted, and a majority of outstanding shareholders subsequently approved, the 2021 Employee, Director & Consultant Equity Incentive Plan (the "2021 Plan"). The prior Equity Plan did not have any remaining authorized shares. The 2021 Plan is intended to attract and retain employees, directors and consultants, to involve them to work for the benefit of the Company or its affiliated entities, and to provide additional incentive for them to promote the Company's success. The 2021 Plan provides for the award of stock options, either ISOs or NQSOs, restricted shares and restricted stock units (RSUs). The 2021 Plan authorized 12,300,000 shares of Common Stock for the issuance of awards under the 2021 Plan. As of the date of this report, an aggregate of 6,000,000 RSUs and 2,000,000 NQSOs had been awarded to executive officers and directors and 3,700,000 RSUs had been awarded to employees. In addition the Company has issued 3,500,000 RSUs to certain executives of Converge related to the acquisition agreement and related to their continued employment with the Company. These RSUs were issued outside the 2021 Equity Incentive Plan.

Non-Qualified Stock Options ("NQSOs") Award Activity

Under the Equity Incentive Plan the Company grants options to purchase shares of the Company's common stock to employees and affiliates of the Company. These options are time based and vest over the contractual term. The options granted are approved by the Company's Compensation Committee.

The following table summarizes balances relating to holders of the Company's NQSOs as of December 31, 2022, June 30, 2022 and June 30, 2021:

	Nonperformance based vesting NQSO's	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding balance as of:				
June 30, 2021	3,088,833	$1.13	0.40	$1,829,999
June 30, 2022	3,657,833	$1.39	0.60	$1,824,232
December 31, 2022	4,971,223	$0.93	1.40	$—
Exercisable at:				
June 30, 2021	2,766,467	$0.90	0.30	$1,611,068
June 30, 2022	2,997,972	$1.04	0.20	$1,806,539
December 31, 2022	3,175,320	$0.97	0.30	$—

The Company uses the Black-Scholes Model to determine the fair value of stock options granted. Option-pricing models require the input of highly subjective assumptions, particularly for the expected stock price volatility and the expected term of options. Changes in the subjective input assumptions can materially affect the fair value estimate. The expected stock price volatility assumptions are based on the historical volatility of the Company's common stock over periods that are similar to the expected terms of grants and other relevant factors. The Company derives the expected term based on an average of the contract term and the vesting period taking into consideration the vesting schedules and future employee behavior with regard to option exercise. The risk-free interest rate is based on U.S. Treasury yields for a maturity approximating the expected term calculated at the date of grant. The Company has never paid any cash dividends on its common stock and the Company has no intention to pay a dividend at this time; therefore, the Company assumes that no dividends will be paid over the expected terms of stock options awards.

The Company granted stock options to purchase 2,000,000 shares of common stock during the six months ended December 31, 2022 at $0.59 per share. The Company determines the assumptions used in the valuation of stock option awards as of the date of grant. Differences in the expected stock price volatility, expected term or risk-free interest rate may necessitate distinct valuation assumptions at those grant dates. As such, the Company may use different assumptions for stock options granted throughout the year. The Company has utilized the following assumptions in its Black-Scholes stock options valuation model to calculate the estimated grant date fair value of the options granted during the six months ended December 31, 2022:

Volatility	65.6 %
Risk-free rate	3.05 %
Contractual term	3.0 years
Exercise price	$0.59

For the six months ended December 31, 2022, and years ended June 30, 2022 and 2021, the Company recognized stock compensation expense for options granted of $0.4 million, $0.5 million, and $0.9 million, respectively. As of December 31, 2022, total unrecognized share-based compensation related to unvested options was approximately $0.7 million, and the weighted-average remaining vesting period for these awards was approximately one year and two months.

Restricted Share Units Award Activity

Pursuant to the Company's 2021 Plan the Company issues RSUs in consideration for employee and consultant services. RSUs issued under the Plan may be exercised in accordance with the applicable grant notice. The Company has also issued RSUs outside of the Plan in accordance with the Converge transaction to certain Converge Sellers, these RSUs are may also be exercised in accordance with the applicable grant notice.

The following table summarizes activity relating to holders of the Company's RSUs for the six months ended December 31, 2022 and during the years ended June 30, 2022 and 2021 :

	Nonperformance based vesting RSU's	**Weighted average fair value per share at date of grant**
Outstanding award balance as of June 30, 2021	—	
Granted	8,800,000	$ 1.02
Exercised	(7,700,000)	$ 1.01
Forfeited	—	
Outstanding award balance as of June 30, 2022	1,100,000	$ 1.02
Granted	900,000	$0.34
Exercised	(800,000)	$ 0.29
Forfeited	(150,000)	$1.00
Outstanding award balance as of December 31, 2022	1,050,000	$ 0.95
Vested	750,000	$ 0.97
Unvested	300,000	$ 0.91

For the six months ended December 31, 2022, and years ended June 30, 2022 and 2021, the Company recognized stock compensation expense for restricted stock units granted of $1.3 million, $8.5 million, and $0, respectively. As of December 31, 2022, total unrecognized share-based compensation related to unvested restricted stock units was approximately $2.9 million, and the weighted-average remaining vesting period for these awards is approximately one year and six months.

Non public warrants

In connection with agreements with employees, consultants and lenders, the Company issued non public warrants with the right to purchase restricted shares of the Company's common stock at an agreed upon contractual exercise price. These warrants have not been registered under the Securities Act, the Warrant is being issued and the shares issuable upon exercise of the warrants and will be issued on the basis of the statutory exemption provided by the Securities Act. Absent a registration statement applicable to these warrants, restricted stock will be issued to the holder upon exercise.

The following table summarizes balances relating to holders of the Company's nonpublic warrants as of December 31, 2022, June 30, 2022, and June 30, 2021:

	Warrants	Weighted-average exercise price
Outstanding balance:		
June 30, 2021	8,296,408	$1.05
June 30, 2022	6,771,223	$1.05
December 31, 2022	6,437,889	$1.06
Exercisable at:		
June 30, 2021	7,248,702	$1.00
June 30, 2022	5,770,263	$0.99
December 31, 2022	5,275,611	$1.00

For the six months ended December 31, 2022 and years ended June 30, 2022 and 2021, the Company has recorded approximately $1.0 million, $0.9 million and $3.2 million, respectively, as compensation expense related to vested warrants issued, net of forfeitures. No warrants were granted in the six months ended December 31, 2022. As of December 31, 2022 the weighted-average remaining contractual term for the outstanding warrants was approximately two years and the intrinsic value of outstanding warrants was $0.

Series E Private Placement

On March 16, 2022, the Company entered into a Securities Purchase Agreement with certain institutional investors to issue and sell in a private offering an aggregate of $50.0 million of securities, consisting of shares of Series E convertible preferred stock of the Company, par value $0.01 per share and warrants to purchase (100% coverage) shares of common. Under the terms of the Purchase Agreement, the Company agreed to sell 500,000 shares of its Series E Preferred Stock and Warrants to purchase up to 33,333,333 shares of the Company's common stock. Each share of the Series E Preferred Stock has a stated value of $100 per share and is convertible into shares of common stock at a conversion price of $1.50 per share subject to adjustment. The Preferred Stock is perpetual and has no maturity date. The Preferred Stock will not be subject to any mandatory redemption or other similar provisions. All future shares of Preferred Stock shall rank junior to the Series E Preferred Stock, except if at least a majority of the Series E Preferred Stock expressly consent, to the creation of the Parity Stock of Senior Preferred Stock.
The Conversion Price of the Series E Preferred Stock and the Exercise Price of the Warrants is subject to adjustment for: (a) stock dividends and stock distributions; (b) subsequent rights offerings; (c) pro rata distributions; and (d) Fundamental Transactions (as defined).

The Conversion Price is also subject to downward adjustment (the "Registration Reset Price") to the greater of (i) eighty (80%) percent of the average of the ten (10) lowest daily VWAPs during the forty (40) trading day period beginning on and including the Trading Day immediately follow the Effective Date of the initial Registration Statement in July 2022, and (ii) the Floor Price of $0.25 per share.

The Company issued accompanying Common Stock Purchase Warrants (the "Warrants") exercisable for five (5) years at $2.00 per share, to purchase an aggregate of 33,333,333 shares of Common Stock. The exercise price is subject to the same Registration Reset Price, as described above. The Floor Price is $0.25 per share.

At the time of the closing of the aforementioned Securities Purchase Agreement, using the Black-Scholes model, the Company recorded a fair value of approximately $28.4 million on the balance sheet within derivative liabilities- financing warrants. At June 30, 2022 the fair value of such warrants was $28.4 million and a resultant gain on change in fair value of derivative liabilities was recorded for approximately $0.6 million. At December 9, 2022, the date of the mark to market revaluation, the fair value of such warrants was $10.2 million and a resultant gain on change in fair value of derivative liabilities was recorded for approximately $20.0 million.

The Series E Preferred Stock and Warrants include certain reset and anti-dilution provisions that could reduce the conversion prices and exercise prices thereof down to $0.25 (the "Floor Price") which was a significant discount to the then current market price. For purposes of complying with Rule 5635(d) of the Nasdaq Stock Market rules, the shareholders approved the issuance of more than 19.99% of the current total issued and outstanding shares of Common Stock upon conversion of the Series E Preferred Stock and exercise of the Warrants, including, but not limited to, reducing the conversion price to the Floor Price.

In addition, the Majority Stockholders approved the amendment to Article Three of the Articles of Incorporation to reflect an increase in the number of authorized shares of all classes of stock which the Company shall have the authority to issue from 315,000,000 shares to 825,000,000 shares, such shares being designated as follows: (i) 800,000,000 shares of Common Stock, and (ii) 25,000,000 shares of preferred stock, par value $0.01 per share.

On September 26, 2022, we entered into an Exchange Agreement (the "Exchange Agreement") with each holder of our Series E Preferred Stock (each a "Series E Holder"), pursuant to which (i) each Series E Holder exchanged its existing warrant to purchase our common stock, dated March 16, 2022 (the "Old Warrants"), for new warrants to purchase our common stock (the "New Warrants"), and (ii) each Series E Holder consented to changes in the terms of the private investment in public equity ("PIPE") placement effected by the Company on March 16, 2022 (the "New PIPE Terms"), including an amendment and restatement of the terms of our Series E convertible preferred stock, par value $0.01 per share (the "Series E Preferred Stock").

In consideration for the issuance of the New Warrants and the other New PIPE Terms, we filed an amended and restated certificate of designation for the Series E Preferred Stock (the "Certificate of Designation") with the Secretary of State of the State of Nevada to effect certain changes contemplated by the Exchange Agreement.

The New PIPE Terms effect the following changes, among others, to the rights Series E Holders:

a. *New Warrant Exercise Price*: The New Warrant exercise price per share of common stock was $0.55, provided that if all shares of Series E Preferred Stock issued pursuant to the Certificate of Designation were not repurchased by the Company on or prior to November 26, 2022, on such date, the exercise price per share of the New Warrants would revert to $2.00, subject to further adjustment as set forth in the New Warrant. In general, such further adjustments provide that, subject to acceleration by the holder thereof, after the Subsequent Adjustment Period, the exercise price is adjusted to the lesser of the exercise price then in effect or the greater of (i) the average of the ten (10) lowest daily VWAPs during the Subsequent Adjustment Period and (ii) $0.25.

b. *Series E Conversion Price*: The conversion price for the Series E Preferred Stock was initially equal to $0.40 per share, and so long as the arithmetic average of the daily volume-weighted average prices ("VWAPs") of the Common Stock for the calendar week prior to each of the following respective dates was lower than the Conversion Price at that time, the Conversion Price would be downwardly adjusted by $0.01 on each of October 24, 2022, October 31, 2022, November 7, 2022, November 14, 2022, and November 21, 2022. The conversion price is subject to further adjustments upon conclusion of the Subsequent Adjustment Period, subject to acceleration by the holder thereof, to the lesser of the conversion price then in effect or the greater of (i) the average of the ten (10) lowest daily VWAPs during the Subsequent Adjustment Period and (ii) $0.25.

c. *Standstill Period*: The Series E Holders agreed to a 60-day standstill period ending on November 26, 2022 (the "Standstill Period"), during which each Series E Holder agreed not to convert more than fifty (50%) percent of the Series E Preferred Stock held by such holder at the beginning of the Standstill Period.

d. *Series E Buyout*. During the Standstill Period the Company agreed to use commercially reasonable efforts to raise funds to repurchase all outstanding shares of Series E Preferred Stock held by the Series E Holders at a purchase price of $100 per share, subject to the provisions of the Certificate of Designation.

e. *Limitation on Sales:* During the Standstill Period, the Purchasers agreed not to sell shares of the Company's common stock for a price less than $0.30 per share.

f. *Liquidated Damages:* The Company agreed to pay to the Purchasers all liquidated damages owed through September 21, 2022 (including any pro-rated amounts), which totaled approximately $3.6 million, all of which was paid during the three months ended September 30, 2022. The Company accrued an additional $3.4 million at December 31, 2022 which is recorded in loss contingency on equity issuance on the statements of operations and comprehensive income (loss).

Financing Warrants

As part of the Converge Acquisition, the Company agreed to issue Common Stock Purchase Warrants. The warrants were issued to certain institutional investors, "the Series E Investor Warrants", and to the Lender, "Blue Torch Warrants", to purchase shares of the Company's Common Stock. The Company has recorded the change in the fair value of these warrants using the mark to market approach.

Reconciliation of the derivative liabilities - financing warrants are as follows:

On December 9, 2022, the Company determined that the warrant contracts met certain criteria for equity classification within the Consolidated Balance Sheets. At December 9, 2022, the fair value of such warrants was $10.2 million and a resultant gain on change in fair value of derivative liabilities - financing warrants was recorded for approximately $20.0 million, which is recorded on the Consolidated Statements of Operations within the line, gain on change in fair value of derivative liabilities.

As of December 31, 2022, the Company reclassified the derivative liabilities into equity classification. The value of the derivative liabilities were remeasured as of December 9, 2022 and the Company transferred into equity the derivative liabilities at their remeasured fair value of approximately $10.2 million.

Blue Torch warrants

For the six months ended December 31, 2022, the Company recorded approximately $1.3 million gain on change in fair value of derivative liabilities related to warrants issued to the Lender in connection with our Credit Facility.

During the fiscal year ended June 30, 2022, the Company recorded approximately $0.6 million gain on change in fair value of derivative liabilities related to warrants issued to the Lender in connection with our Credit Facility, which were initially valued at approximately $2.4 million.

Series E Investor warrants

For the six months ended December 31, 2022, the Company recorded approximately $18.7 million gain on change in fair value of derivative liabilities related to warrants issued to Series E investors.

During the fiscal year ended June 30, 2022, the Company recorded $6 thousand gain on change in fair value of derivative liabilities related to warrants issued to Series E investors, which were initially valued at approximately $28.4 million.

Refer to Note 9 Fair Value Measurements. in the Notes to Consolidated Financial Statements, included in Item 8. Financial Statements and Supplementary Data of this Transition Report, for further details on our warrant liabilities.

Preferred Stock

Series A Preferred Stock

On April 14, 2022, notice was given that all 720,000 shares of the Issuer's outstanding 9% Series A Preferred Stock would be redeemed. The redemption of the Series A Preferred Stock was effected on May 31, 2022 (the "Redemption Date") at a price equal to $0.20 per share, plus an amount equal to all accrued and unpaid dividends thereon but not including the Redemption Date in an amount equal to $0.42 per share, for a total payment of $0.62 per share (the "Redemption Price"). The total aggregate amount of the redemption was $0.4 million. Holders of record as of the Redemption Date received the Redemption Price upon presentation and surrender of the Preferred Stock as described in the notice. Upon redemption, dividends on the Preferred Stock ceased to accrue and all rights of the Holders terminated, except to the proceeds of the Redemption Price. As of December 31, 2022, there were no shares of Series A Preferred Stock issued and outstanding

Preferred shares

As of December 31, 2022, no shares of Series A Preferred Stock were issued and outstanding; no shares of Series B Preferred Stock were issued and outstanding; no shares of Series C Preferred Stock were issued and outstanding; no shares of Series D Preferred Stock were issued and outstanding; and 310,793 shares of Series E Preferred Stock were issued and outstanding. For the six months ended December 31, 2022, 189,207 shares of Series E Preferred Stock were converted into approximately 75.0 million shares of common stock, at a conversion price of $0.25.

NOTE 16 - MISSION-MEDIA HOLDINGS LTD EQUITY PURCHASE AGREEMENT

On August 1, 2022, Troika Mission Holdings (seller) entered into an equity purchase agreement with Union Ventures Limited (buyer). The buyer purchased from seller, all of the seller's right, title, and interest in and to sellers respective Mission-Media Holdings Limited shares, including any and all liabilities and assets on as is basis. The buyer agreed to pay the seller an aggregate purchase price of $1,000. At the closing the seller was required to make a nonrefundable infusion of no less than £500,000 GBP ($609,000 USD) to Mission UK for working capital.

The Company sold 100% of its Mission-Media Holdings Limited subsidiary business to Union Ventures Limited, a UK limited liability company formed under the laws of England and Wales (registered no. 14169163) for $1,000 and deconsolidated its investment . The net gain on the deconsolidation was approximately $0.1 million as reported gain on sale of subsidiary in the Statement of Operations in the Company's financial statements. Further, during the six months ended December 31, 2022, the Company reclassified approximately $1.0 million out of Accumulated Other Comprehensive Income and into Foreign Exchange Loss within the Statements of Operations for the release of historical cumulative translation adjustments for Mission-Media Holdings. As of December 31, 2022, the Company does not consider Mission-Media Holdings Ltd. to be a related party and does not have any continuing involvement with the former subsidiary.

NOTE 17 – INCOME TAXES

The Company and its domestic subsidiaries file on a consolidated U.S. federal tax basis and state tax returns on a consolidated, combined or separate basis depending on the applicable laws for the calendar years ending December 31, 2022, and December 31, 2021. In prior years, the Company issued US GAAP financial statements for the fiscal period ended June 30th and going forward, the Company's year-end for US GAAP and tax return purposes will be aligned to a calendar year-end.

The Company, the parent company of Troika Design Group Inc., Troika Services, Inc., Troika Analytics, Inc., Troika-Mission Holdings, Inc., Mission Media USA, Inc., Troika IO, Inc. and CD Acquisition Corp, are subject to the U.S. federal tax rate of 21% and approximately up to 11% state tax for the years ending December 31, 2022, and December 31, 2021.

Mission-Media Holdings, LTD and Mission-Media, LTD are foreign subsidiaries of the Company which file tax returns in the United Kingdom. The Company divested its two UK subsidiaries on August 1, 2022.The UK entities are subject to a tax rate of 19% for the years ending December 31, 2022, and December 31, 2021.

Income tax (benefit) expense from continuing operations on an estimated GAAP basis for the six months ended December 31, 2022 and years ending June 30, 2022 and 2021 consisted of the following:

		December 31, 2022	June 30, 2022	June 30, 2021
Current				
	Federal	$ —	$ (37,109)	$ 37,000
	State	19,122	73,034	27,000
	Foreign	—	—	—
	Total current tax expense / (benefit)	$ 19,122	$ 35,925	$ 64,000
Deferred				
	Federal	$ —	$ —	$ 152,000
	State	—	—	—
	Foreign	—	—	—
	Total deferred tax expense / (benefit)	$ —	$ —	$ 152,000
	Valuation allowance	—	—	—
	Total tax expense / (benefit)	$ 19,122	$ 35,925	$ 216,000

A reconciliation of the estimated federal statutory income tax rate to the Company's effective income tax rate is as follows:

	December 31, 2022	June 30, 2022	June 30, 2021
Taxes calculated at federal rate	21.0 %	21.0 %	21.0 %
Foreign taxes	(30.6) %	(4.3)%	(0.1)%
Debt settlement	— %	0.2 %	2.6 %
Stock compensation	— %	(2.2)%	(1.2)%
Change in valuation allowance	(72.1) %	(15.4)%	(25.4)%
State taxes, net of federal benefit	41.0 %	1.2 %	1.9 %
Gain on derivative liability - financing warrants	46.1 %	— %	— %
Acquisition - domestic	— %	— %	— %
Acquisition - foreign	— %	— %	— %
Goodwill impairment	(17.5) %	(1.3)%	— %
Revaluation of deferred	11.3 %	— %	— %
Other adjustments	(0.2) %	1.0 %	1.6 %
Provision for income taxes	(1.0) %	0.2 %	0.4 %

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2022, June 30, 2022, and June 30, 2021, are presented below:

	December 31, 2022	June 30, 2022	June 30, 2021
Deferred Tax Assets			
Net operating loss carryforwards	$ 12,050,000	$ 9,242,000	$ 5,320,000
Accounts receivable reserve	277,000	137,000	131,000
Contribution carryover	13,000	11,000	6,000
Section 163 (j) limitation	2,808,000	649,000	120,000
Stock based compensation	2,031,000	1,132,000	1,611,000
Accrued interest	—	82,000	89,000
Accrued Expenses	448,000	—	—
Contract liabilities	1,974,000	2,187,000	—
Deferred rent	—	303,000	—
Net right-of-use assets	3,873,000	—	1,772,000
Goodwill	635,000	—	—
Intangibles	1,695,000	—	—
Total Deferred Tax Assets	25,804,000	13,743,000	9,049,000
Deferred Tax Liabilities			
Fixed Assets	(127,000)	(117,000)	(112,000)
Intangibles	—	(98,000)	(513,000)
Lease liability	(5,447,000)	—	—
Goodwill	—	(171,000)	—
Deferred Revenue	—	—	(179,000)
Total Deferred Tax Liabilities	(5,574,000)	(386,000)	(804,000)
Net Deferred Tax Assets	20,230,000	13,357,000	8,245,000
Valuation Allowance	(20,230,000)	(13,357,000)	(8,245,000)
Net deferred tax / (liabilities)	$ —	$ —	$ —

The Company is in the process of reviewing its current deferred tax balances and the above amounts for the periods ending December 31, 2022, June 30, 2022 and 2021, are estimated, but may not be all inclusive.

Deferred tax assets and liabilities are computed by applying the estimated enacted federal, foreign and state income tax rates to the gross amounts of future taxable amounts and future deductible amounts and other tax attributes, such as net operating loss carryforwards. In assessing if the deferred tax assets will be realized, the Company considers whether it is more likely than not that some or all of these deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which these deductible temporary differences reverse.

During the six months ending December 31, 2022, the estimated valuation allowance increased by approximately $6.9 million to $20.2 million as compared to an increase of approximately $5.1 million for such period and $8.2 million for the year ended as of June 30, 2022 and June 30, 2021. The increase in valuation allowance is primarily related to an increase in net operating losses. The total valuation allowance results from the Company's position that it is more likely than not able to realize their net deferred tax assets within the foreseeable future.

At June 30, 2017, and prior to this date, the Company had estimated federal and state net operating loss carryforwards. For the periods prior to the year ending June 30, 2017, the Company is unable to accurately verify or compute the applicable federal and state net operating losses. Such losses may not be utilizable or possibly eliminated under IRC Section 382/383, change of ownership rules. Management is in the process of reviewing IRC Section 382/383 at the time of this filing for the period indicated. These carryforwards may be subject to an annual limitation under I.R.C. §§ 382 and 383 and similar state provisions, if the Company experienced one or more ownership changes which would limit the amount of the NOL and tax credit carryforwards that can be utilized to offset future taxable income. Due to the existence of the valuation allowance, limitations created by future ownership changes, if any, will not impact the Company's effective tax rate. The federal net operating loss for the period ending December 31, 2022, is approximately $25.0 million and there are no state net operating loss carryforwards. The federal net operating loss of $1.4 million has a statutory expiration date in 2039 and approximately $23.6 million of federal net operating losses do not have a statutory expiration date. For the periods ending June 30, 2022 and 2021, the federal net operating losses approximated $37.8 million and $20.6 million, respectively. The state net operating losses for the same periods approximated $13.1 million and $6.3 million, respectively. As of December 31, 2022, the Company divested its UK subsidiaries, hence, there are no UK operating loss carryforwards available. As of June 30, 2022 and 2021, the Company's UK NOL carryforwards were approximately $4.0 million and $3.9 million, respectively.

The Company had filed delinquent 2016, 2017 and 2018 federal, state and local tax returns in October 2020. Therefore, the earliest tax year subject to examination is 2016 tax year.

NOTE 18 – SUBSEQUENT EVENTS

Machinist Litigation

On February 7, 2023, Robert Machinist, the former Chief Executive Officer and Chairman of the Board of the Company, filed a Complaint against the Company in the Supreme Court of the State of New York in a case styled *Robert Machinist v. Troika Media Group, Inc.*, No. 650728/2023. Mr. Machinist alleges the Company breached a Separation Agreement between Mr. Machinist and the Company, dated May 19, 2022, by not paying certain severance and other benefits. The Complaint seeks damages with interest, a declaration that Mr. Machinist is entitled the payments sought by the Complaint (and an injunction compelling the Company to pay them), and an award of Mr. Machinist's costs incurred in connection with the litigation. Although the Company believes that it has meritorious defenses, at this time, the Company cannot predict the outcome of this matter.

Blue Torch Limited Waiver

The Waiver Period, as described in Note 13, was further extended by the Sixth Amendment to the Limited Waiver to Financing Agreement dated as of January 13, 2023, and the Seventh Amendment to the Limited Waiver to the Financing Agreement dated January 31, 2023.

On February 10, 2023, Blue Torch and the Company entered into an Amended and Restated Limited Waiver (the "A&R Limited Waiver") of certain events of default (such events of default, the "Specified Events of Default") under the Financing Agreement, which amended and restated the prior Limited Wavier, as amended. The A&R Limited Waiver provides that, among other things, during the A&R Waiver Period (defined below), the Company will comply with certain sale and refinancing milestones and refrain from engaging in any "Permitted Acquisition" under the Financing Agreement or making certain post-closing payments to the sellers of the Converge business under the MIPA.

The A&R Limited Waiver will expire on the earliest of (x) the occurrence of an Event of Default under the Financing Agreement that is not a Specified Event of Default, (y) a failure by the Company to comply with certain sale and refinancing milestones set forth in a side letter agreed by the Company and the Lenders and (z) June 30, 2023, subject to potential extension of up to 60 days to obtain regulatory and/or shareholder approval in the event the Company is pursuing a sale transaction (the "A&R Waiver Period").

Conversion of Preferred Series E Shares and exercise of Warrants

During the period January 1, 2023 to March 6, 2023 an approximate 270 thousand shares of Preferred Series E Stock were converted into approximately 111 million shares of common stock. During the same period, holders of warrants exercised approximately 27.1 million warrants resulting in the issuance of an additional 106.0 million shares of common stock being issued. Approximately 6.2 million warrants remain unexercised.

(a) Exhibits

The following Exhibits are filed with this Report on Form 10-K/T or incorporated by reference:

Exhibit No.	Description
2.1	Subsidiary Merger Agreement, dated as of March 27, 2015 by and among SignalPoint Holdings Corp., Roomlinx, SignalShare Infrastructure Inc. and RMLX Merger Corp. (1)
2.2	Merger Agreement, dated as of June 12, 2017 by and among (i) Troika Design Group Inc. and each of its subsidiaries; (ii) Daniel Pappalardo; (iii) M2 nGage Group Inc.; and (iv) Troika Acquisition Corp. (2)
2.3	Equity Purchase Agreement dated as of June 29, 2018 by and among Nicola Stephenson, James Stephenson, Troika Media Group Inc. and Troika Mission Holdings Inc. (4)
2.4	Asset Purchase Agreement dated May 21, 2021, by and among Redeeem LLC, Kyle Hill, Redeeem Acquisition Corp. and Troika Media Group Inc. (7)
2.5	Membership Interest Purchase Agreement by and among Troika Media Group, Inc., Converge Acquisition Corp. (collectively, the "Purchaser) and Thomas Marianacci, Maarten Terry, Sadiq ("Sid") Toama and Michael Carrano (collectively, the "Sellers"). (9)
2.6	Amendment No. 3 to Membership Interest Purchase Agreement by and among Troika Media Group, Inc., Purchaser and the Sellers. (16)
2.7	Letter Agreement, dated March 9, 2022, by and between Troika Media Group, Inc. and Converge Direct, LLC. (16)
2.8	Escrow Agreement, dated as of March 21, 2022, between Alter Domus (US) LLC, , Blue Torch Finance LLC, Troika Media Group, Inc., and Maarten Terry, Michael Carrano, Sadiq Toama, and Thomas Marianacci as the sellers, with Thomas Marianacci as the representative for the aforenamed sellers. (16)
3.1	Amended and Restated Articles of Incorporation of the Registrant. (12)
3.2	Amended and Restated By-Laws of the Registrant (16)
3.3	Amended and Restated Certificate of Designation of Series E Convertible Preferred Stock. (17)
4.1	Financing Agreement dated as of March 21, 2022 by and among Troika Media Group, Inc., as Borrower, each subsidiary of Borrower as a Guarantor, the Lenders from time to time party hereto, and Blue Torch Finance, LLC, as Administrative Agent and Collateral Agent. (11)
4.2	Form of Common Stock Purchase Warrant. (15)
4.3	Pledge and Security Agreement. (11)
4.4	Form of Exchange Agreement. (15)
4.5	Intercompany Subordination Agreement. (11)
4.6	Amended and Restated Limited Waiver to Financing Agreement. (18)

4.7	Common Stock Purchase Warrant issued to Blue Torch Finance LLC. (11)
4.8	Registration Rights Agreement with Blue Torch Finance LLC. (11)
4.9	Form of Common Stock Purchase Warrant. (6)
4.10	Form of Common Stock Purchase Warrant dated March 2022. (10)
4.11	Form of Registration Rights Agreement dated as of March 16, 2022. (10)
4.12	Form of Securities Purchase Agreement dated as of March 16, 2022. (10)
10.1	Amended and Restated Executive Employment Agreement dated as of February 15, 2017 by and between M2 nGage Group Inc. (the Registrant) and Christopher Broderick, as amended on June 1, 2017, June 12, 2017 and June 5, 2018. (5)
10.2	Amended and Restated Consulting Agreement dated February 15, 2017 by and between M2 nGage Group Inc. (the Registrant) and SAB Management LLC, as amended on August 8, 2017, April 16, 2018 and June 5, 2018.(5)
10.3	Amended and Restated Executive Employment Agreement dated as of October 21, 2016 by and between M2 nGage Group Inc. (the Registrant) and Michael Tenore, as amended on June 6, 2018. (5)
10.4	Employment Agreement dated May 21, 2021, by and between Kyle Hill and Redeeem Acquisition Corp. (7)
10.5	Executive Employment Agreement dated as of June 9, 2017 by and between Troika Design Group Inc. and Daniel Pappalardo. (2)
10.6	Executive Employment Agreement dated January 1, 2022 by and between Troika Media Group, Inc. and Sadiq ("Sid") Toama, as amended on February 13, 2023. (18)
10.7	Executive Employment Agreement dated May 23, 2022 by and between Troika Media Group, Inc. and Erica Naidrich, as amended on February 13, 2023. (18)
10.8	Executive Employment Agreement by and between Troika Media Group Inc. and Thomas Marianacci. (16)
10.9	Separation Agreement dated as of February 28, 2021 by and among the Registrant, SAB Management, LLC and Andrew Bressman. (6)
10.10	Confidential Separation and Waiver and Release Agreement by and between Troika Media Group Inc. and Kyle Hill. (14)
10.11	Separation Agreement dated as of May 19, 2022 by and between Troika Media Group and Robert Machinist. (13)
10.12	Separation Agreement dated as of June 8, 2022 by and between Troika Media Group and Christopher Broderick. (16)
10.13	Separation Agreement dated as of October 26, 2022 by and between Troika Media Group, Inc. and Andrew Bressman. (17)

10.14	2015 Employee, Director and Consultant Equity Incentive Plan. (5)
10.15	2021 Employee, Director & Consultant Equity Incentive Plan. (8)
10.16	Form of Warrant Agreement by and between the Company and American Stock Transfer & Trust Company, LLC. (6)
10.17	Office Lease dated January 6, 2020 for 1715 N. Gower Street, Los Angeles, California 90028. (6)
10.18	Office Lease dated May 2, 2017 for 45 Main Street, Brooklyn, New York 11201. (5)
10.19	Office Lease dated April 22, 2021, for 9-23 Fitzroy Street, London, WC2 UK. (16)
10.20	Office Lease dated April 19, 2019 for 25 W 39th Street, New York, New York 10018. (5)
10.21	Escrow Agreement by and among Redeeem Acquisition Corp., Troika Media Group, Inc., the members of Redeeem LLC and their designees and Davidoff Hutcher & Citron LLC. (7)
10.22	Form of Lock-Up Agreement. (7)
14.1	Corporate Code of Conduct. (5)
21.1*	Subsidiaries of the Registrant.
23.1	Consent of RBSM LLP, Independent Registered Public Accounting Firm.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from Troika's Form 10-K Report for the year ended June 30, 2022, formatted in Inline XBRL: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Changes in Stockholders' Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File, formatted in Inline XBRL and contained in Exhibit 101.

* Filed herewith
(1) Incorporated by reference to the Registrant's Form 8-K filed on April 2, 2015
(2) Incorporated by reference to the Registrant's Form 8-K filed on June 20, 2017
(3) Incorporated by reference to the Registrant's Form 8-K filed on September 18, 2017
(4) Incorporated by reference to the Registrant's Form 8-K filed on July 6, 2018
(5) Incorporated by reference to the Registrant's Draft Registration Statement No. 333-254889 filed on August 1, 2019

(6) Incorporated by reference to the Registrant's Registration Statement No. 333-254889 filed on March 31, 2021, as amended on April 8, 2021
(7) Incorporated by reference to the Registrant's Form 8-K filed on May 25, 2021
(8) Incorporated by reference to the Registrant's Schedule 14C Information Statement filed on January 6, 2022
(9) Incorporated by reference to the Registrant's Form 8-K filed on February 24, 2022
(10) Incorporated by reference to the Registrant's Form 8-K filed on March 18, 2022
(11) Incorporated by reference to the Registrant's Form 8-K filed on March 24, 2022
(12) Incorporated by reference to the Registrant's Form 8-K filed on April 27, 2022
(13) Incorporated by reference to the Registrant's Form 8-K filed on May 25, 2022
(14) Incorporated by reference to the Registrant's Form 8-K filed on June 13, 2022
(15) Incorporated by reference to the Registrant's Form 8-K filed on September 27, 2022
(16) Incorporated by reference to the Registrant's Form 10-K filed on September 28, 2022, as amended on November 22, 2022
(17) Incorporated by reference to the Registrant's Form 10-Q filed on November 14, 2022
(18) Incorporated by reference to the Registrant's Form 8-K filed on February 16, 2023
(b) Financial Statement Schedules

(b) Financial Statement Schedules

Financial Statement Schedules are omitted because the information is included in our financial statements or notes to those financial statements.

Item 16. Form 10-K/T Summary.

None

SIGNATURES

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

TROIKA MEDIA GROUP, INC.

By:	*/s/ Erica Naidrich*
Name:	Erica Naidrich
Title:	Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Sid Toama Sid Toama	President and Chief Executive Officer (Principal Executive Officer)	March 7, 2023
/s/ Erica Naidrich Erica Naidrich	Chief Financial Officer (Principal Financial and Accounting Officer)	March 7, 2023
/s/ Randall Miles Randall Miles	Chairman of the Board	March 7, 2023
/s/ Thomas Ochocki Thomas Ochocki	Director	March 7, 2023
/s/ Sabrina Yang Sabrina Yang	Director	March 7, 2023
/s/ Wendy Parker Wendy Parker	Director	March 7, 2023
/s/ Martin Pompadur Martin Pompadur	Director	March 7, 2023
/s/ Grant Lyon Grant Lyon	Director	March 7, 2023
/s/ Jeffrey S. Stein Jeffrey S. Stein	Director	March 7, 2023

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333- 262623 on Form S-8 of Troika Media Group, Inc. of our report dated March 7, 2023 relating to the financial statements appearing in this Annual Report on Form 10-K.

/s/ RBSM LLP

New York, New York
March 7, 2023

EXHIBIT 31.1

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

I, Sid Toama, the Chief Executive Officer of Troika Media Group, Inc., certify that:

I have reviewed this annual report on Form 10-K of Troika Media Group, Inc. for the year ended December 31, 2022;

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

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

3. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 7, 2023

By:	*/s/ Sid Toama*
Name:	Sid Toama
Title:	Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

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

I, Erica Naidrich, the Chief Financial Officer of Troika Media Group, Inc., certify that:

I have reviewed this annual report on Form 10-K of Troika Media Group, Inc. for the year ended December 31, 2022;

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

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

3. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 7, 2023	By:	*/s/ Erica Naidrich*
	Name:	Erica Naidrich
	Title:	Chief Financial Officer
		(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Troika Media Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sid Toama, the President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 7, 2023	By:	*/s/ Sid Toama*
	Name:	Sid Toama
	Title:	President and Chief Executive Officer (Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Troika Media Group, Inc. and will be retained by Troika Media Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Troika Media Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Erica Naidrich, the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 7, 2023	By:	*/s/ Erica Naidrich*
	Name:	Erica Naidrich
	Title:	Chief Financial Officer (Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Troika Media Group, Inc. and will be retained by Troika Media Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.