

Viggle Inc.  
Form 10-K  
September 17, 2013

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

FORM 10-K

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

For the fiscal year ended June 30, 2013

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-33902

Viggle Inc.  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

33-0637631  
(I.R.S. Employer Identification Number)

902 Broadway  
11<sup>th</sup> Floor  
New York, New York 10010  
(Address of Principal Executive Offices and Zip Code)

Registrant's Telephone Number, Including Area Code: (212) 231-0092

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.01 per share

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

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

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on December 31, 2012, based on the closing price of such stock on the Pink Sheets on such date, was \$30,590,733.

As of September 17, 2013, there were 75,139,350 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference: None.

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 Annual Report on Form 10-K  
 June 30, 2013

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## PART I

### CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K (this “Annual Report”) contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words “believe,” “expect,” “will,” “anticipate,” “intend,” “estimate,” “project,” “assume” or other similar expressions, although not all forward-looking statements contain these identifying words. All statements in this Annual Report regarding our future strategy, future operations, projected financial position, estimated future revenue, projected costs, future prospects, and results that might be obtained by pursuing management’s current plans and objectives are forward-looking statements. You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Important risks that might cause our actual results to differ materially from the results contemplated by the forward-looking statements are contained in “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report and in our subsequent filings with the Securities and Exchange Commission (“SEC”). Our forward-looking statements are based on the information currently available to us and speak only as of the date on which this Annual Report was filed with the SEC. We expressly disclaim any obligation to issue any updates or revisions to our forward-looking statements, even if subsequent events cause our expectations to change regarding the matters discussed in those statements. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such differences might be significant and materially adverse to our stockholders.

As used in this report:

•“Viggle” refers to Viggle Inc., a Delaware corporation (also herein referred to as “the Company”)

•“App” refers to the free Viggle application (also herein referred to as the “Viggle App”)

•“We”, “us” and “our” refer to Viggle and its subsidiaries, individually, or in any combination

•“SFX” refers to SFX Entertainment Inc., a company affiliated with Robert F.X. Sillerman, the Company’s Executive Chairman, Chief Executive Officer, and a Director (hereinafter, “Mr. Sillerman”)

•“SIC” refers to Sillerman Investment Company, LLC, a company affiliated with Mr. Sillerman

•“SIC II” refers to Sillerman Investment Company II, LLC, a company affiliated with Mr. Sillerman

•“GAAP” refers to generally accepted accounting principles in the United States

### ITEM 1. BUSINESS

Our Business

Our Vision

Viggle makes TV more rewarding.

Our Strategy

Viggle is an incentive-based, interactive loyalty platform developed to enhance the TV viewing experience and make TV more rewarding. We seek to enhance the TV experience by helping viewers decide what to watch and when, enhance the viewing experience with real time games and additional content, and reward viewers for being loyal to their favorite shows throughout a season. For advertisers, Viggle provides clients targeted and interactive ads to amplify their TV messaging. For TV networks and content producers, Viggle delivers promotional benefits by driving tune-ins to specific shows, engaging the consumers in a richer content experience, and increasing awareness of promoted shows. The result of all this interaction creates the definitive interest graph for TV. As a media company, we seek to attract an ever-larger audience in order to sell advertising. We believe that making TV more rewarding and engaging around the shows consumers love, will drive them to use Viggle.

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#### Overview of our Service

U.S. consumers can become Viggle users through a free App that works on multiple types of mobile phones and tablets and is distributed through the Apple App Store or the Google Play Store. After a consumer downloads the App, he/she must create an account. Viggle then provides the ability for customers to play along with TV shows, to share comments through social media, to answer trivia questions or polls, to chat with friends, play games, or to discover more about the show, all while they watch TV.

The user experience is simple. While watching TV, a user taps the "check-in" button which activates the device's microphone. Viggle collects an audio sample of what the user is watching on television and uses proprietary technology to convert that sample into a digital fingerprint. Within seconds, that proprietary digital fingerprint is matched against a database of reference fingerprints that are collected from at least 170 English and Spanish television channels within the United States. We are able to verify TV check-ins across broadcast, cable, online, satellite, time-shifted and on-demand content. The ability to verify check-ins is critical because users are rewarded points for each check-in and engagement. Users can redeem the points within the rewards catalog for items that have a monetary value such as gift cards, unique deals and offers, electronics, sweepstakes, charitable donations, and Viggle-branded merchandise. Once a customer has "checked-in" to a show, the App provides a set of optional games, tools, and information to enhance the TV experience.

Viggle points can be earned through five different activities: WatchPoints (1 point for every minute a user is checked-in on Viggle), Bonus Points (added points for watching promoted shows), Live Engagement Points (points earned for playing MyGuy, Viggle Live or other games), Streaks and Quests (added points for watching a series of shows), and Advertising Points (revenue we share with our customers in the form of points).

An illustration of how our App works is shown below:

Since our launch on January 25, 2012, and through June 30, 2013, 3,253,464 users have registered for Viggle, of which we have deactivated 190,929 for a total of 3,062,535 registered users. For the three months ended June 30, 2013, we have accumulated an average of 757,273 monthly active users. Monthly active users are computed by determining those users that are both registered on the Viggle App and that have earned or redeemed points, other than points received for registering for the Viggle App, in the particular month. As of June 30, 2013, our members have checked-in to 265,378,396 TV programs and spent an average of approximately 68 minutes of active time within the Viggle App per session. Active users are defined as those who earned a point or redeemed a point that day. Users have redeemed a total of 1,959,395 rewards.

Our rewards catalog consists primarily of gift cards for consumer goods in amounts ranging from \$5.00 to \$25.00. There are other rewards, primarily physical products, that can be earned for significantly more reward points, and offers that deliver meaningful discounts to our users for fewer points. For example, a \$5.00 Starbucks gift card can be earned for 12,500 points, a \$25.00 Best Buy Gift card can be earned for 62,500 points, a Kindle Fire for 482,500 points, and an offer of 20% off a purchase at Fanatics.com for 3,000 points. From time to time, we may change the rewards offered and the number of points required to earn any given reward. For the 1,959,395 reward redemptions through June 30, 2013, the average number of points used per redemption has been approximately 13,060 points and the total retail value to consumers was approximately \$13.4 million.

It is not possible to earn points on the Viggle App without registering. In order to avoid double-counting and limit the instances of fraud, the App is limited to five accounts per device (so as to allow for use by family members sharing a device), users are limited to a maximum of 6,000 points per day and users are not able to share or combine points with different users or devices. While it is possible for users to establish multiple accounts which could overstate our actual number of registered active users and permit those fraudulent users to attempt to evade our rules in an effort to accumulate excess points by checking-in to TV shows at the same time on different devices, we monitor for such activity and, when discovered, take corrective action according to our published terms and conditions.

#### Our Technology

The first version of the App was approved by Apple and launched to the public in the Apple iTunes App Store on January 25, 2012. It has been updated periodically. The approved version of the App works on Apple iOS devices such as the iPhone, iPad and iPod Touch. On June 27, 2012, we released a version of the Application for use on Android smartphones and tablets. Although we have launched the App to the public, there is no guarantee how effectively the technology will perform. We continuously test and update the App with a goal of improving overall performance and usability.

We will consider adding versions for other mainstream mobile operating systems such as Windows Phone and Blackberry based on demand and other business factors. Distribution of the product will occur via regular online marketplaces for content and applications used by such mobile operating systems, and will include iTunes for iOS devices or the Android marketplace for devices using the Android operating system.

The back-end technology for the App has been designed to accommodate the significant numbers of simultaneous check-ins required to support prime time television audiences. This back-end technology is currently operational and has the capacity to support simultaneous check-ins around major television events such as the Super Bowl. In addition to our own dedicated co-location facilities on the east and west coasts, we are using third-party cloud computing services from Amazon Web Services to help us scale our technical capacity as efficiently as possible.

The technology supporting our unique feature of digital fingerprinting and our matching technology is subject to a currently unissued but pending patent.

#### Our Revenues

We began generating revenues in early calendar year 2012. Advertising is sold directly to brand marketers, television networks or through advertising agencies by our dedicated sales team. We also generate revenue through partnerships with third party mobile advertising networks. Our focus is on brand marketers that are most relevant to our target demographic of consumers between the ages of 18 and 49, and are active in television, digital and retail marketing. Our sales team is also briefing large advertising and media agencies on our capabilities so that they might recommend integration of our Application into their client proposals. We generate revenue from standard mobile media advertising sales and affiliate programs:

- when our users click and view advertisements in our App;

- when our users complete an engagement (defined as a poll, video quiz, game or slide show) appearing in our App that is created by an advertising agency, our brand partners or our team; and

- through affiliate or bounty commissions from third parties if our users purchase items or subscribe to services after clicking from our App to other apps or websites.

With the exception of one-time sponsorships with advertisers (which are charged a separate and specific fee), all advertising is serviced via a third-party advertising server for billing and verification purposes. Revenues are generated by measuring

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delivered impressions on a cost per thousand (CPM) basis and completed engagements on a cost per engagement (CPE) basis. Our sales team contracts with brand advertisers to deliver a specific number of impressions and/or engagements for a specific price per thousand impressions and/or per completed engagement. The third-party ad server then serves the ads and/or engagements within the App during the course of using the Viggle App. As impressions and engagements are delivered and completed, we bill brand partners or advertising agencies on a monthly basis for the media delivered at our contracted rates.

#### Our Target Consumers

While most people watch television, we are targeting male and female consumers between the ages of 18 and 49. This target audience was selected due to the amount of TV they consume on a weekly basis, as well as the likelihood that they will have smartphones and other wireless devices such as tablets and laptops with them while viewing television. To build our user base, we will target this audience using traditional media techniques such as direct response, banner and mobile advertising, public relations, search engine optimization and search engine marketing across online, broadcast and print media outlets.

When a user signs up for and downloads our App, we collect the user's email, zip code, television provider and date of birth. The email enables us to verify the user and reduces the chance of fraud. The zip code allows us to present a relevant list of cable and satellite providers to the user to deliver the correct channel listing data. Knowing the television provider in turn helps us to increase the rate of success for television show matching. We encourage users to provide additional information such as their physical mailing address. Knowing the user's birthday allows us to verify that the user is at least 13 years old. The physical mailing address is required for the delivery of physical goods selected by the user in the Application rewards catalog. This information also helps us better target relevant advertising to the user. We manage this information in adherence with standard privacy policies and regulations.

#### Our Competitive Position

The market for digital and social media applications is intensely competitive and subject to rapid change. New competitors may be able to launch new businesses at relatively low cost. Many consumers maintain simultaneous relationships with multiple digital brands and products, making it easy to shift consumption from one provider to another. Additionally, the "Social TV" category is nascent and has yet to attract the attention of mainstream consumers and marketers. Many of our competitors are larger, more established, better funded, and have a history of successful operations. Although we launched the first version of our App in January 2012, there can be no assurance of how successful the product will be or how effectively the technology will perform.

While there are a variety of companies currently in the market that offer either manual check-in or audio verification, we believe our App differs significantly because we offer users real, as opposed to virtual, rewards such as movie tickets, music cards and gift cards, and we drive our customers to engage and interact with TV shows for longer periods of time. We offer a comprehensive range of features and functionality, such as automatic check-ins using audio verification, in-app digital advertising engagements (such as games or videos, real-time polls and quizzes) and full social media integration that rewards our users for being more loyal to their TV shows and provide our users with, we believe, more enjoyment at the same time. Such integration makes it easy for users to share what they are doing within the Application with their social network and to follow show-specific commentary on Twitter and Facebook. We also offer the user a listing of current and upcoming shows for which they can set reminders, learn more information and indicate their support of the show by "liking" it.

Other companies in the "Social TV" market focus on the simple ability of a user to communicate their television viewing activity to others in the user's social media circles. Instead of real rewards, these companies offer their users virtual points, leader board status, digital badges or stickers. We believe that our target market will be motivated by the ability to earn real rewards on a frequent basis and to interact in real time via show-specific polls, quizzes, videos and games.

Recent Acquisitions (amounts in thousands except share and per share data)

WatchPoints

On September 29, 2011, in furtherance of its business plan, the Company, through its wholly-owned subsidiary, Project Oda, Inc., purchased certain assets of Mobile Messaging Solutions, Inc.'s Watchpoints business. The consideration for such transaction consisted of \$2,500 in cash and 100,000 shares of the Company's common stock with a fair value of \$16.00 per share on the date of the transaction. The Watchpoints business is involved in developing, selling, maintaining and improving an interactive broadcast television Application utilizing audio recognition technology. The assets purchased, and the related value allocated to each, included intellectual property (\$4,209) and certain computer-related equipment (\$11). The intellectual property included patent filings for audio verification technology and the provision of value-added programming/services based

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on such verification and trademarks for the "Watchpoints" name. The value allocated to the intellectual property is being amortized over the expected useful life of the Company's software products.

#### Loyalize

On December 31, 2011, in furtherance of its business plan, the Company, through a newly created wholly owned subsidiary, FN(x) I Holding Corporation, now known as Loyalize Inc ("FN(x) I" or "Loyalize"), purchased from Trusted Opinion Inc. ("Trusted Opinion"), substantially all of its assets, including certain intellectual property and other assets relating to the "Loyalize" business owned by Trusted Opinion, pursuant to an asset purchase agreement executed by the Company and FN(x) I on such date (the "Asset Purchase Agreement"). In consideration for its purchase of such assets, the Company paid Trusted Opinion \$3,185 in cash and agreed to deliver 137,519 of the Company's common shares as follows: 32,627 shares delivered directly to Trusted Opinion within three business days of delivery of the financial statements and 104,892 shares (the "Escrowed Shares") delivered within three business days of closing to American Stock Transfer and Trust Company LLC, as escrow agent, which were held until December 31, 2012 to secure certain representations, warranties and indemnities given by Trusted Opinion under the Asset Purchase Agreement. The value of the 137,519 common shares as of the date of closing at \$1,719 based on the \$12.50 per share closing price of the Company's common stock on the date of closing. In addition to certain minor purchase price adjustments to be made post-closing, the Company was obligated to also fund as a purchase price adjustment the difference, if any, by which \$1,839 exceeds the calculated value (computed based on the average closing price of the Company's common shares during the 20 days prior to December 31, 2012) of the 137,519 shares on December 31, 2012, either in cash or in common shares of the Company, at the Company's option. The Company elected to pay this obligation in shares of its common stock, and on February 11, 2013, issued 1,171,712 shares of its common stock in satisfaction of this obligation.

#### TIPPT Media Inc.

On December 23, 2011, the Company obtained a sixty-five (65%) percent ownership interest in TIPPT Media Inc. ("TIPPT"). In consideration for its investment in TIPPT, the Company paid \$2,000 in cash, forgave the repayment of a \$250 promissory note owed to the Company by TIPPT LLC, a Delaware limited liability company, and the minority stockholder of TIPPT, and agreed to issue a warrant to purchase 500,000 shares of the Company's common stock at an exercise price equal to 115% of the 20-day trading average of the Company's common stock if certain performance conditions were met within four months of the closing of the transaction. The Company believed it was probable that the performance conditions would be met and thus the fair value of the warrants were recorded. The shares of common stock exercisable under the warrant were valued at \$2,378 using the Black Scholes valuation model.

The Company determined that immediately before the transaction, the activities of TIPPT did not constitute a business. Therefore, the Company accounted for the TIPPT transaction as an asset acquisition in accordance with ASC 350, Intangibles - Goodwill and Other Intangible Assets.

On May 14, 2012, the Company sold to TIPPT LLC a 50% ownership interest in TIPPT for \$500, payable by a Purchase Money Note with interest accruing at 4% per annum and maturing on December 31, 2016. The Company retained a 15% ownership interest in TIPPT. TIPPT issued an Amended and Restated Promissory Note to the Company pursuant to which TIPPT agreed to pay the Company \$1,201, which represented \$701 of working capital advances and an additional \$500 that the Company agreed to loan to TIPPT.

As part of the Company's review of the fair value of its intangible assets for the year ended June 30, 2012, the Company 1) derecognized the \$2,378 of contingent consideration attributable to the Company's warrant that was to be issued to TIPPT LLC because the warrant was never issued; and 2) performed a review of the fair value of the remaining \$2,250 carrying value the intellectual property contracts. The Company recorded an impairment charge for the full carrying value of such contracts. Accordingly, the carrying value at June 30, 2012 was zero. Also, based on the limited financial resources of TIPPT and TIPPT LLC, the Company fully reserved the \$500 Purchase Money Note

and the \$1,201 relating to the Amended and Restated Promissory Note described above. The total charge of \$3,951 is included in selling, general and administrative expenses for the year ended June 30, 2012.

#### Intellectual Property

As of June 30, 2013, the Company has filed to protect its initial trademarks and has filed patents to protect its technology, which are currently pending. We anticipate that there will be patent and other filings in the future. We intend to protect any intellectual property rights we may acquire in the future through a combination of patent, trademark, copyright, rights of publicity, and other laws, as well as licensing agreements and third party nondisclosure and assignment agreements. Our

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failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, financial condition and results of operations.

#### Employees

As of June 30, 2013, the Company had a total of 108 full-time employees. Management considers its relations with its employees to be good.

#### Principal Executive Offices

The principal executive offices of the Company are located at 902 Broadway, 11<sup>th</sup> Floor, New York, New York 10010 and our telephone number is (212) 231-0092.

#### Available Information

The Company is subject to the informational requirements of Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). We electronically file reports and other information with, and electronically furnish reports and other information to, the Securities and Exchange Commission. Such reports and other information filed or furnished by the Company may be inspected and copied at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The Securities and Exchange Commission also maintains an Internet site that contains reports, proxy statements and other information about issuers, like us, who file electronically with the Securities and Exchange Commission. The address of the Securities and Exchange Commission's website is <http://www.sec.gov>.

In addition, the Company makes available free of charge through its website, <http://www.viggle.com>, its Annual Reports on Form 10-K and quarterly reports on Form 10-Q (commencing March 31, 2011), current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission. This reference to our internet website does not constitute incorporation by reference in this report of the information contained on or hyperlinked from our Internet website and such information should not be considered part of this report.

#### ITEM 1A. RISK FACTORS

Various portions of this report contain forward-looking statements that involve risks and uncertainties. Actual results, performance or achievements could differ materially from those anticipated in these forward-looking statements as a result of certain risk factors, including those set forth below and elsewhere in this report.

Since we have limited financial resources and a limited operating history and minimal revenues to date, we may be unable to achieve or maintain profitability. The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered by a small developing company.

We have limited financial resources and minimal revenues to date. The likelihood of our success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered by a small developing company starting a new business enterprise and the highly competitive environment in which we operate. Since we have a limited operating history, we cannot assure you that our business will be profitable or that we will ever generate sufficient revenues to fully meet our expenses and totally support our anticipated activities.

Our ability to continue as a business and implement our business plan will depend on our ability to raise sufficient debt or equity if our revenue is not sufficient, as is now the case. There is no assurance such debt and/or equity offerings will be successful or that we will remain in business or be able to implement our business plan if such offerings are not successful.

If we are unable to successfully develop and market our products or features or our products or features do not perform as expected, our business and financial condition will be adversely affected.

With the release of any new product or any new features to an existing product, we are subject to the risks generally associated with new product or feature introductions and applications, including lack of market acceptance, delays in development and implementation, and failure of new products or features to perform as expected. In order to introduce and market new or enhanced products or features successfully with minimal disruption in customer purchasing patterns and user experiences, we

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must manage the transition from existing products in the market. There can be no assurance that we will successfully develop and market, on a timely basis, products, product enhancements or features that respond to technological advances by others, that our new products will adequately address the changing needs of the market or that we will successfully manage product transitions. Further, failure to generate sufficient cash from operations or financing activities to develop or obtain improved products and technologies could have a material adverse effect on our results of operations and financial condition.

In addition, our technology is under continual development. While certain aspects of the product may currently be functioning on a basic level, we must perform more testing to ensure that the different components work together effectively and the audio sampling and matching technology being developed by us is accurate, performs well and integrates with metadata and points systems. Although the product has been launched for use on Apple iOS and Android devices, there is no assurance that the product will generate sufficient income from brand and network advertisers, which could have a material adverse effect on our results of operations and financial condition.

Since there is substantial doubt as to the Company's ability to continue as a going concern as noted in BDO USA, LLP's opinion for the fiscal year ended June 30, 2013, it may be difficult for the Company to effectuate its business plan.

The Company has incurred losses since its inception and has not yet successfully established profitable operations. Our financial statements have been prepared on a going concern basis. Costs and expenses, or the inability to generate increased revenues, will likely require additional financing; which would be sought through equity or debt financing, or asset sales. The fact that there are going concern considerations may make raising additional funds or obtaining loans more difficult. To the extent financing is not available, the Company may not be able to, or may be delayed in, implementing its business plan, developing its property and/or meeting its obligations. This could result in the entire loss of any investment in shares of the Company's common stock. The Company will continue to evaluate its projected expenditures relative to its available cash and to evaluate additional means of financing in order to satisfy its working capital and other cash requirements. Details regarding these concerns are included in the notes to the Financial Statements included in this filing (for the fiscal year ended June 30, 2013).

We may seek to raise additional funds, finance acquisitions or develop strategic relationships by issuing capital stock that would dilute your ownership.

We have financed our operations, and we expect to continue to finance our operations, acquisitions and develop strategic relationships, by issuing equity or convertible debt securities, which could significantly reduce the percentage ownership of our existing stockholders. Furthermore, any newly issued securities could have rights, preferences and privileges senior to those of our existing common stock. Moreover, any issuances by us of equity securities may be at or below the prevailing market price of our common stock and in any event may have a dilutive impact on your ownership interest, which could cause the market price of our common stock to decline. We may also raise additional funds through the incurrence of debt or the issuance or sale of other securities or instruments senior to our shares of common stock. The holders of any debt securities or instruments we may issue would likely have rights superior to the rights of our common stockholders.

Our common stock price may fluctuate significantly and you may lose all or part of your investment.

Because we are a newly established operating company, there are few objective metrics by which our progress may be measured. Consequently, we expect that the market price of our common stock will likely fluctuate significantly. There can be no assurance whether or when we will generate revenue from the license, sale or delivery of our unique products and services. In the absence of product revenue as a measure of our operating performance, we anticipate that investors and market analysts will assess our performance by considering factors such as:

- announcements of developments related to our business;
- developments in our strategic relationships with companies;
- our ability to enter into or extend investigation phase, development phase, commercialization phase and other agreements with new and/or existing partners;
- announcements regarding the status of any or all of our collaborations or products;

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- market perception and/or investor sentiment regarding our products and services;
- announcements regarding developments in the digital and mobile technology and the broadcast and entertainment industries in general;
- the issuance of competitive patents or disallowance or loss of our patent or trademark rights; and
- quarterly variations in our operating results.

We will not have control over many of these factors but expect that our stock price may be influenced by them. As a result, our stock price may be volatile and you may lose all or part of your investment.

The market for purchases and sales of our common stock may be very limited, and the sale of a limited number of shares could cause the price to fall sharply.

Our shares of common stock are very thinly traded. Accordingly, it may be difficult to sell shares of common stock without significantly depressing the value of the stock. Unless we are successful in developing continued investor interest in our stock, sales of our stock could continue to result in major fluctuations in the price of our common stock.

Since we do not intend to declare dividends for the foreseeable future, and we may never pay dividends, you may not realize a return on your investment unless the price of our common stock appreciates and you sell your common stock.

We will not distribute cash to our stockholders unless and until we can develop sufficient funds from operations to meet our ongoing needs and execute our business plan. The time frame for this is inherently unpredictable, and you should not plan on it occurring in the near future, if at all. Our payment of any future dividends will be at the discretion of our board of directors after taking into account various factors, including but not limited to our financial condition, operating results, cash needs, growth plans and the terms of any credit agreements that we may be a party to at the time. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize a return on their investment. Investors seeking cash dividends should not purchase our common stock.

Since we are controlled by our current insiders and their affiliates, you and our other non-management stockholders will be unable to affect the outcome in matters requiring stockholder approval.

As of September 17, 2013, approximately 52,088,000 shares of our common stock, not including warrants, options, or rights to acquire common stock, are owned by Mr. Sillerman and current affiliates and insiders representing control of approximately 69.3% of the total voting power, with Mr. Sillerman directly or indirectly beneficially owning more than a majority of the outstanding shares of common stock. As a result, Mr. Sillerman essentially has the ability to elect all of our directors and to approve any action requiring stockholder action, without the vote of any other stockholders. It is possible that the interests of Mr. Sillerman could conflict in certain circumstances with those of other stockholders. Such concentrated ownership may also make it difficult for our shareholders to receive a premium for their shares of our common stock in the event we merge with a third party or enter into other transactions that require shareholder approval. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

We rely on key members of management, and the loss of their services could adversely affect our success and development.

Our success depends to a certain degree upon certain key members of management. These individuals are a significant factor in our growth and ability to meet our business objectives. In particular, our success is highly dependent upon the efforts of our executive officers and our directors, particularly Mr. Sillerman. The loss of our executive officers and directors could slow the growth of our business, or it may cease to operate at all, which may result in the total loss of an investor's investment.

Compensation may be paid to our officers, directors and employees regardless of our profitability, which may limit our ability to finance our business plan and adversely affect our business.

Mr. Sillerman and other officers are receiving compensation, and any other current or future employees of our company may be entitled to receive compensation, payments and reimbursements, regardless of whether we operate at a profit or a loss. Any compensation received by Mr. Sillerman or any other senior executive in the future will be determined from time to time by the board of directors or our Compensation Committee. Such obligations may negatively affect our cash flow and our ability to finance our business plan, which could cause our business to fail.

Some of our officers and directors may have conflicts of interest in business opportunities that may be disadvantageous to us.

Mr. Sillerman and Mr. Nelson are each engaged in other business endeavors, including serving as executive officers of Circle Entertainment Inc. (“Circle”). Additionally, Mr. Sillerman is also the Chairman and Chief Executive Officer of SFX, a new company in the live entertainment business, and Mr. Nelson is a Senior Legal Adviser to such company. Mr. Sillerman is a director of Circle and Mr. Nelson is Executive Vice President, General Counsel and Corporate Secretary of Circle. Under Mr. Sillerman's employment agreement, he is obligated to devote his working time to our affairs, but may continue to devote time to other outside non-competitive businesses. Mr. Sillerman has agreed to present to us any business opportunities related to or appropriate for our business. Pursuant to Mr. Nelson's employment agreement, he is obligated to devote such time and attention to our affairs as is necessary for him to perform his duties as Executive Vice President. He is also entitled to perform similar functions for Circle and/or SFX pursuant to shared services agreements described in Note 12, Related Party Transactions to the Consolidated Financial Statements filed with this Annual Report on Form 10-K. In addition, our newest director, Michael Meyer, is a member of the board of directors and chair of the audit committee of both Circle and SFX. Certain of our other employees, including employees in Human Resources, IT management and office management, also perform services for SFX under shared services agreements and certain SFX employees may perform services for us. Although Circle, SFX, and our company have generally different business plans, interests and programs, it is conceivable there may be a conflict of interest in determining where a potential opportunity should be brought. Conflicts of interest are prohibited as a matter of our corporate policy, except under guidelines approved by the board of directors, as set forth in our Code of Business Conduct and Ethics. Our Code of Business Conduct and Ethics also sets forth the procedures to follow in the event that a potential conflict of interest arises. For a description of our Code of Business Conduct and Ethics, please see the section entitled “Corporate Governance” below.

Our business and growth may suffer if we are unable to attract and retain key officers or employees.

Our success depends on the expertise and continued service of Mr. Sillerman, and certain other key executives and technical personnel. It may be difficult to find a sufficiently qualified individual to replace Mr. Sillerman or other key executives in the event of death, disability or resignation, resulting in our inability to implement our business plan.

Furthermore, our ability to expand operations to accommodate our anticipated growth will also depend on our ability to attract and retain qualified media, management, finance, marketing, sales and technical personnel. However, competition for these types of employees is intense due to the limited number of qualified professionals. Our ability to meet our business development objectives will depend in part on our ability to recruit, train and retain top quality people with advanced skills who understand our technology and business. We believe that we will be able to attract competent employees, but no assurance can be given that we will be successful in this regard. If we are unable to engage and retain the necessary personnel, our business may be materially and adversely affected.

We are uncertain of our ability to manage our growth.

Our ability to grow our business is dependent upon a number of factors, including our ability to hire, train and assimilate management and other employees, the adequacy of our financial resources, our ability to identify and efficiently provide new products and services that our customers may require in the future, and our ability to adapt our own systems to accommodate expanded operations.

Because of pressures from competitors with more resources, we may fail to implement our business strategy profitably.

The digital and mobile technology business is highly fragmented, extremely competitive, and subject to rapid change. The market for customers is intensely competitive and such competition is expected to continue to increase. We believe that our ability to compete depends upon many factors within and beyond our control, including the timing and market acceptance of

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new solutions and enhancements to existing businesses developed by us and our competitors. We are an entertainment company that utilizes digital media and Smartphone technology. If we are successful, larger and more established entertainment companies, with significantly greater resources, may try to enter the market with similar technologies, and may be in better competitive positions than we are. Many consumers maintain simultaneous relationships with multiple digital brands and products and can easily shift consumption from one provider to another. Our principal competitors are in segments such as:

- Applications promoting social TV experiences and discussions; and
- White label providers of social media and media-specific applications.

Additionally, new competitors may be able to launch new businesses at relatively low cost. Either existing or new competitors may develop new technologies, and our existing and potential advertisers may shift their advertising expenditures to these new technologies. Therefore, we cannot be sure that we will be able to successfully execute our business strategy in the face of such competition.

We may be unable to compete with larger or more established companies in two industries.

We face a large and growing number of competitors in the digital and mobile technology and entertainment industries. If we successfully combine digital and mobile technology with entertainment, we will have competitors from both the digital and mobile technology and entertainment industries. Many of these competitors have substantially greater financial, technical and marketing resources, larger customer bases, longer operating histories, greater name recognition, and more established relationships in these industries than do we. As a result, certain of these competitors may be in better positions to compete with us for customers and audiences. Further, our current and/or future competitors in the digital and mobile technology industry may develop or license technology that is similar to the Viggie App. We cannot be sure that we will be able to compete successfully with existing or new competitors.

If our products do not achieve market acceptance, we may not have sufficient financial resources to fund our operations or further development.

While we believe that a viable market exists for the products we are developing, there is no assurance that our technology will prove to be an attractive alternative to conventional or competitive products in the markets that we have identified. In the event that a viable market for our products cannot be created for our business or our products do not achieve market acceptance, we may need to commit greater resources than are currently available to develop a commercially viable and competitive product. There can be no assurance that we would have sufficient financial resources to fund such development or that such development would be successful. Further, our business requires the use of capital resources to purchase rewards for our rewards program, as discussed more fully below in the section entitled "The Company's 12-Month Plan for its Business." In addition, as we grow our number of registered active users, our rewards costs will increase. We will need to increase our revenue per registered active user in order to cover our rewards costs and to become profitable; there is no guarantee that we will be able to do so. Additionally, there is no guarantee that we will have sufficient resources to fund our rewards program, which will have a material adverse effect on our business and operations. Moreover, if our products do not generate sufficient revenues, or we are unable to raise additional capital, we may be unable to fund our operations. Our ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond our control. There can be no assurance that, when required, sufficient funds will be available to us on satisfactory terms.

Our business will suffer if our network systems fail or become unavailable.

A reduction in the performance, reliability and availability of our network infrastructure would harm our ability to distribute our products to our users, and, therefore, potentially harm our reputation and ability to attract and retain users and content providers. Our systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, Internet breakdown, earthquake and similar events. Our systems could also be subject to viruses, break-ins, sabotage, acts of terrorism, acts of vandalism, hacking, cyber-terrorism and similar misconduct. We might not carry adequate business interruption insurance to compensate us for losses that may occur from a system outage. Any system error or failure that causes interruption in availability of products, or an increase in response time, could result in a loss of potential customers or content providers, which could have a material adverse effect on our business, financial condition and results of operations. If we suffer sustained or repeated interruptions, then our products and services could be less attractive to our users and our business would be materially harmed.

If we fail to detect fraud, including click fraud, other invalid clicks on ads, or improper engagements, we could lose the confidence of our current and potential advertiser clients, incur additional costs, or both, which would cause our business to suffer.

We are exposed to the risk of fraudulent and other invalid clicks or conversions that advertisers may perceive as undesirable or that may cost us additional money for points given in connection with such activity. While our terms and conditions limit one account per person and we have specific controls in place to avoid fraud, such as limiting the number of accounts allowed per device and the number of points per day, there is no guarantee that our controls will be effective. As a result, estimates of our registered users, monthly active users or other statistical information may be inflated as there may be some instances of double-counting users. We are aware that some people will attempt to evade our rules in an effort to accumulate excess points through a multitude of methods including, but not limited to, establishing multiple accounts, mimicking App activity through “scripting,” and using multiple devices simultaneously. We monitor our users to determine if any are attempting to do so and consider this fraudulent activity a violation of our published terms and conditions. We invalidate users whom we believe to violate these terms and conditions and continually make efforts to improve our systems to detect fraud and improve our defenses. Through June 30, 2013, we have invalidated 190,929 accounts for suspicious activity of a total of 3,253,464 registered accounts. Invalid clicks could result from inadvertent clicks or click fraud, where a mobile device user intentionally clicks on ads for reasons other than to access the underlying content of the ads. If fraudulent or other malicious activity is perpetrated by others, and we are unable to detect and prevent it, the affected advertisers may experience or perceive a reduced return on their investment. High levels of invalid click activity could lead to dissatisfaction with our advertising services, refusals to pay, refund demands or withdrawal of future business. If fraudulent or other malicious activity occurs, and we are unable to detect and prevent it, we could also experience increased costs relating to awarding points as a result of these activities. Any of these occurrences could damage our brand and lead to a loss of advertisers and revenue and increased costs.

We may be unable to protect our intellectual property rights from third-party claims and litigation, which could be expensive, divert management's attention, and harm our business.

Our success is dependent in part on obtaining, maintaining and enforcing our proprietary rights and our ability to avoid infringing on the proprietary rights of others. We seek patent protection for those inventions and technologies for which we believe such protection is suitable and is likely to provide a competitive advantage to us. Because patent applications in the United States are maintained in secrecy until either the patent application is published or a patent is issued, we may not be aware of third-party patents, patent applications and other intellectual property relevant to our products. This may block our use of our intellectual property or may be used in third-party products that compete with our products and processes. In the event a competitor or other party successfully challenges our products, processes, patents or licenses, or claims that we have infringed upon their intellectual property, we could incur substantial litigation costs defending against such claims, be required to pay royalties, license fees or other damages or be barred from using the intellectual property at issue, any of which could have a material adverse effect on our business, our results of operations and our financial condition.

We also rely substantially on trade secrets, proprietary technology, nondisclosure and other contractual agreements, and technical measures to protect our technology, application, design, and manufacturing know-how, and work actively to foster continuing technological innovation to maintain and protect our competitive position. We cannot assure you that steps taken by us to protect our intellectual property and other contractual agreements for our business will be adequate, that our competitors will not independently develop or patent substantially equivalent or superior technologies or be able to design around patents that we may receive, or that our intellectual property will not be misappropriated.

In addition, we use open source software in our services and will continue to use open source software in the future. From time to time, we may be subject to claims brought against companies that incorporate open source software into their products or services, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license, or require us to devote additional research and development resources to changing our products or services, any of which would have a negative effect on our business and results of operations.

The SEC opened a formal order of investigation relating to a matter regarding certain dealings in our securities by an unaffiliated third party. In addition, we have also received an informal request from the SEC for the voluntary production of documents and information concerning certain aspects of our business and technology. Although we have provided documents in response to the SEC's request, there is no assurance that the SEC will not take any action against us.



The SEC opened a formal order of investigation relating to a matter regarding certain dealings in our securities by an unaffiliated third party. We have also received an informal request from the staff of the SEC, dated June 11, 2012, for the voluntary production of documents and information concerning certain aspects of our business and technology. We initially provided documents in response to such request on July 2, 2012, and we have provided supplements and documents for additional questions, as requested. We intend to cooperate with the SEC regarding this matter and any other requests we may receive. However, there is no assurance that the SEC will not take any action against us. A determination by the SEC to take action against us could be costly and time consuming, could divert the efforts and attention of our directors, officers and employees from the operation of our business and could result in sanctions against us, any or all of which could have a material adverse effect on our business and operating results.

Our common stock is subject to risks arising from restrictions on reliance on Rule 144 by shell companies or former shell companies.

Under a regulation of the SEC known as “Rule 144,” a person who has beneficially owned restricted securities of an issuer and who is not an affiliate of that issuer may sell them without registration under the Securities Act provided that certain conditions have been met. One of these conditions is that such person has held the restricted securities for a prescribed period, which will be 6 months or 1 year, depending on various factors. However, Rule 144 is unavailable for the resale of securities issued by an issuer that is a shell company (other than a business combination related shell company) or that has been at any time previously a shell company. The SEC defines a shell company as a company that has (a) no or nominal operations and (b) either (i) no or nominal assets, (ii) assets consisting solely of cash and cash equivalents; or (iii) assets consisting of any amount of cash and cash equivalents and nominal other assets. Until the Recapitalization, we were a shell company.

The SEC has provided an exception to this unavailability if and for as long as the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company,
- The issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act,  
  
The issuer of the securities has filed all Exchange Act reports and material required to be filed, as
- applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Current Reports on Form 8-K; and
- At least one year has elapsed from the time that the issuer filed current comprehensive disclosure with the SEC reflecting its status as an entity that is not a shell company known as “Form 10 Information.”

As a result, although we have filed “Form 10 Information” as of July 24, 2012, stockholders who receive our restricted securities will be able to sell them pursuant to Rule 144 without registration only as long as we continue to meet those requirements and are not a shell company. No assurance can be given that we will continue to meet these requirements or that we will not again be a shell company. Furthermore, any non-registered securities we sell in the future or issue for acquisitions or to consultants or employees in consideration for services rendered, or for any other purpose will have limited or no liquidity until and unless such securities are registered with the SEC and/or until a year after we have complied with the requirements of Rule 144. As a result, it may be harder for us to fund our operations, to acquire assets and to pay our consultants with our securities instead of cash. Furthermore, it will be harder for us to raise funding through the sale of debt or equity securities unless we agree to register such securities with the SEC, which could cause us to expend additional resources in the future. In addition, if we are unable to attract additional capital, it could have an adverse impact on our ability to execute our business and sustain our operations. Our status as a former “shell company” could prevent us from raising additional funds, engaging consultants, and using our

securities to pay for any acquisitions, which could cause the value of our securities, if any, to decline in value or become worthless.

Changes to federal, state or international laws or regulations applicable to our business could adversely affect our business.

Our business is subject to a variety of federal, state and international laws and regulations, including those with respect to privacy, advertising generally, consumer protection, content regulation, intellectual property, defamation, child protection,

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advertising to and collecting information from children, taxation, employment classification and billing. These laws and regulations, and the interpretation or application of these laws and regulations, could change. In addition, new laws or regulations affecting our business could be enacted. These laws and regulations are frequently costly to comply with and may divert a significant portion of management's attention. If we fail to comply with these applicable laws or regulations, we could be subject to significant liabilities which could adversely affect our business.

There are many federal, state and international laws that may affect our business, including measures to regulate consumer privacy, the use of copyrighted material, the collection of certain data, network neutrality, patent protection, cyber security, child protection, subpoena and warrant processes, taxes and tax reporting (including issuing IRS 1099 forms to our users), gift cards, employee classification, employee health care, and others. If we fail to comply with these applicable laws or regulations we could be subject to significant liabilities which could adversely affect our business.

In addition, most states have enacted legislation governing the breach of data security in which sensitive consumer information is released or accessed. If we fail to comply with these applicable laws or regulations we could be subject to significant liabilities which could adversely affect our business.

Many of our potential partners are subject to industry specific laws, regulations or licensing requirements, including in the following industries: pharmaceuticals, online gaming, alcohol, adult content, tobacco, firearms, insurance, securities brokerage, real estate, sweepstakes, free trial offers, automatic renewal services and legal services. If any of our advertising partners fail to comply with any of these licensing requirements or other applicable laws or regulations, or if such laws and regulations or licensing requirements become more stringent or are otherwise expanded, our business could be adversely affected. Furthermore, these laws may also limit the way we advertise our products and services or cause us to incur compliance costs, which could affect our revenues and could further adversely impact our business.

There are a number of significant matters under review and discussion with respect to government regulations which may affect the business we intend to enter and/or harm our customers, and thereby adversely affect our business, financial condition and results of operations.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

#### ITEMS 2. PROPERTIES

The following table sets forth certain information with respect to the Company's principal locations as of June 30, 2013.

Location	Name of Property	Type/Use of Property	Approximate Size	Owned or Leased
902 Broadway 11 <sup>th</sup> Floor New York, NY	Corporate Office	Headquarters	16,500 sq. ft.	Leased until April 2022
2058 Broadway Santa Monica, CA	Satellite Office	Sales/Technology	3,200 sq. ft.	Leased until March 2016
333 Bryant Avenue San Francisco, CA	Satellite Office	Sales	2,800 sq. ft.	Leased until April 2015

#### ITEM 3. LEGAL PROCEEDINGS

On August 17, 2012, the Company was served with a patent infringement lawsuit filed on August 13, 2012 by Blue Spike, LLC ("Blue Spike") in the United States District Court for the Eastern District of Texas, Tyler Division (Civil Action No. 6:12-CV-526). The lawsuit claims patent infringement under U.S. Patent numbers 7,346,472, 7,660,700, 7,949,494, and 8,214,715 in connection with the Company's audio recognition technology.

Blue Spike has commenced suits against numerous companies involving the same patent family, including Peer Media Technologies, Inc., The Echo Nest Corporation, Free Stream Media Corp., iPharro Media GmbH, iPharro Media, Inc., Shazam Entertainment, Ltd., Texas Instruments Incorporated, BIO-Key International, Inc., TuneSat, LLC, Vercury Inc., and SoundHound.

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The Company denies that it is infringing on any valid, enforceable claims of the asserted patents and intends to vigorously defend itself against the lawsuit. The Company filed its answer on October 3, 2012.

We are subject to litigation and other claims that arise in the ordinary course of business. While the ultimate result of our outstanding legal matters cannot presently be determined, the Company does not expect that the ultimate disposition will have a material adverse effect on our results of operations or financial condition. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. As such, there can be no assurance that the final outcome will not have a material adverse effect upon our financial condition and results of operations.

ITEM 4. Mine Safety Disclosures

Not applicable

PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock currently trades in the over the counter market and is quoted on the OTC QB Electronic Quotation Service under the symbol "VGGL."

The following table sets forth the high and low bid prices of our common stock during the calendar year ended December 31, 2011 and through the second calendar quarter ended June 30, 2013. The high and low bid quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission, and may not represent actual transactions.

	High	Low
2011		
First quarter(1)(2)	\$ 56.00	\$ 0.02
Second quarter	\$ 25.00	\$ 16.60
Third quarter	\$ 21.40	\$ 9.50
Fourth quarter	\$ 18.00	\$ 9.00
2012		
First quarter	\$ 17.80	\$ 11.00
Second quarter	\$ 5.45	\$ 2.50
Third quarter	\$ 5.60	\$ 0.65
Fourth quarter	\$ 2.55	\$ 1.08
2013		
First quarter	\$ 1.31	\$ 0.66
Second quarter	\$ 0.88	\$ 0.32

(1) On February 16, 2011, the Company effectuated a 1 for 10 reverse split of its issued and outstanding common stock. On June 7, 2012, the Company effectuated a 1 for 2 reverse split (the "1 for 2 Reverse Split") of its issued and outstanding common stock. The high and low bid prices before February 16, 2011 are listed to reflect both the 1 for 10 reverse split and the 1 for 2 reverse split on a retroactive basis.

(2) For the period January 1, 2011 to February 15, 2011 (pre reverse splits), the high bid was \$9.00 and the low bid was \$0.02. For the period February 16, 2011 to June 6, 2012 (post 1 for 10 reverse split), the high bid

was \$56.00 and the low bid was \$16.00.

As of September 13, 2013, there were 103 holders of record of our common stock.

#### Dividend Policy

We currently intend to retain any future earnings to support operations and to finance expansion. Therefore, we do not anticipate paying any cash dividends on our Common Stock in the foreseeable future. There are no outstanding preferred shares for our

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Company. The terms of any future debt agreements we may enter into could prohibit or restrict the payment of cash dividends on our common stock.

#### Securities Authorized for Issuance Under Equity Compensation Plans

The table below shows information with respect to our equity compensation plans and individual compensation arrangements as of June 30, 2013 (amounts in thousands, except per share amounts).

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options Warrants, and Rights	(c) Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders (1)	19,774	\$ 1.70	10,226
Equity compensation plans not approved by security holders (none)—	—	—	—

(1) Includes 1,869,168 restricted shares, which are not currently vested, and there is no exercise price for such shares.

For a description of our Executive Equity Incentive Plan, see Note 10 to our audited Consolidated Financial Statements included elsewhere in this report.

#### ITEM 6. Selected Financial Data

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we are not required to provide the information required by this item.

#### ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis of financial condition and results of operations of the Company should be read in conjunction with the historical audited consolidated financial statements and footnotes of the Company’s historical audited consolidated financial statements and notes thereto included elsewhere in this Annual Report. Our historical results of operations reflected in our historical audited consolidated financial statements are not necessarily indicative of our future results of operations.

##### Overview

Viggle Inc. was incorporated in Delaware in July 1994, and was formerly known as Function (x) Inc, Function (X) Inc. and Gateway Industries, Inc.

Viggle is an incentive-based, interactive loyalty platform developed to enhance the TV viewing experience and make TV more rewarding. We seek to enhance the TV experience by helping viewers decide what to watch and when,

enhance the viewing experience with real time games and additional content and reward viewers for being loyal to their favorite shows throughout a season. For advertisers, Viggle provides clients targeted and interactive ads to amplify their TV messaging. For TV Networks and content producers, Viggle delivers promotional benefits by driving tune-ins to specific shows, engaging the consumers in a richer content experience, and increasing awareness of promoted shows. The result of all this interaction creates the definitive interest graph for TV. As a media company, we seek to attract an ever-larger audience in order to sell advertising. We believe that making TV more rewarding and engaging consumers around the shows they love will drive consumers to use Viggle.

U.S. consumers can become Viggle users through a free app that works on multiple types of mobile phones and tablets and is distributed through the Apple App Store or the Google Play Store. After the consumer downloads the App, he/she must create an account. Viggle then provides the ability for customers to play along with TV shows, to share comments through social media, to answer trivia questions or polls, to chat with friends, play games, or to discover more about the show, all while they watch TV.

The user experience is simple. While watching TV, a user taps the "check-in" button, which activates the device's microphone.



Viggle collects an audio sample of what the user is watching on television and uses proprietary technology to convert that sample into a digital fingerprint. Within seconds, that proprietary digital fingerprint is matched against a database of reference fingerprints that are collected from at least 170 English and Spanish television channels within the United States. We are able to verify TV check-ins across broadcast, cable, online, satellite, time-shifted and on-demand content. The ability to verify check-ins is critical because users are rewarded points for each check-in and engagement. Users can redeem the points within the rewards catalog for items that have a monetary value such as gift cards, unique deals and offers, electronics, sweepstakes, charitable donations, and Viggle-branded merchandise. Once a customer has "checked-in" to a show, the App provides a set of optional games, tools, and information to enhance the TV experience.

Viggle points can be earned through five different activities: WatchPoints (1 point for every minute a user is checked-in on Viggle), Bonus Points (added points for watching promoted shows), Live Engagement Points (points earned for playing MyGuy, Viggle Live or other games), Streaks and Quests (added points for watching a series of shows), and Advertising Points (revenue we share with our customers in the form of points).

Since our launch on January 25, 2012, and through June 30, 2013, 3,253,464 users have registered for Viggle, of which we have deactivated 190,929 for a total of 3,062,535 registered users. For the three months ended June 30, 2013, we have accumulated an average of 757,273 monthly active users. Monthly active users are computed by determining those users that are both registered on the Viggle App and that have earned or redeemed points, other than points received for registering for the Viggle App, in the particular month. As of June 30, 2013, our members have checked-in to 265,378,396 TV programs and spent an average of approximately 68 minutes of active time within the Viggle App per session. Active users are defined as those who earned a point or redeemed a point that day. Users have redeemed a total of 1,959,395 rewards.

Our rewards catalog consists primarily of gift cards for consumer goods in amounts ranging from \$5.00 to \$25.00. There are other rewards, primarily physical products, that can be earned for significantly more reward points, and offers that deliver meaningful discounts to our users for fewer points. For example, a \$5.00 Starbucks gift card can be earned for 12,500 points, a \$25.00 Best Buy Gift card can be earned for 62,500 points, a Kindle Fire for 482,500 points, and an offer of 20% off a purchase at Fanatics.com for 3,000 points. From time to time, we may change the rewards offered and the number of points required to earn any given reward. For the 1,959,395 reward redemptions through June 30, 2013, the average number of points used per redemption has been approximately 13,060 points and the total retail value to consumers was approximately \$13.4 million.

It is not possible to earn points on the Viggle App without registering. In order to avoid double-counting and limit the instances of fraud, the App is limited to five accounts per device (so as to allow for use by family members sharing a device), users are limited to a maximum of 6,000 points per day, and users are not able to share or combine points with different users or devices. While it is possible for users to establish multiple accounts which could overstate our actual number of registered active users and permit those fraudulent users to attempt to evade our rules in an effort to accumulate excess points by checking-in to TV shows at the same time on different devices, we monitor for such activity and, when discovered, take corrective action according to our published terms and conditions.

#### Technology

The first version of the App was approved by Apple and launched to the public in the Apple iTunes App Store on January 25, 2012. It has been updated periodically. The Approved version of the App works on Apple iOS devices such as the iPhone, iPad and iPod Touch. On June 27, 2012, we released a version of the App for use on Android smartphones and tablets. Although we have launched the App to the public, there is no guarantee how effectively the technology will perform. We continuously test and update the App with a goal of improving overall performance and usability.

We will consider adding versions for other mainstream mobile operating systems such as Windows Phone and Blackberry based on demand and other business factors. Distribution of the product will occur via regular online marketplaces for content and applications used by such mobile operating systems, and will include iTunes for iOS devices or the Android marketplace for devices using the Android operating system.

The back-end technology for the App has been designed to accommodate the significant numbers of simultaneous check-ins required to support prime time television audiences. This back-end technology is currently operational and we have the capacity to support simultaneous check-ins around major television events such as the Super Bowl. In addition to our own dedicated co-location facilities on the east and west coasts, we are using third-party cloud computing services from Amazon Web Services to help us scale our technical capacity as efficiently as possible.

The technology supporting our unique feature of digital fingerprinting and our matching technology is subject to a currently

unissued but pending patent.

#### Revenue

We began generating revenues in early calendar year 2012. Advertising is sold directly to brand marketers and television networks or through advertising agencies by our dedicated sales team. We also generate revenue through partnerships with third party mobile advertising networks. Our focus is on brand marketers that are most relevant to our target demographic of consumers between the ages of 18 and 49, and are active in television, digital and retail marketing. Our sales team is also briefing large advertising and media agencies on our capabilities so that they might recommend integration of our App into their client proposals. We generate revenue from standard mobile media advertising sales and affiliate programs:

- when our users click and view advertisements in our App,

- when our users complete an engagement (defined as a poll, video quiz, game or slide show) appearing in our App that is created by an advertising agency, our brand partners or our team, and

- through affiliate or bounty commissions to third parties if our users purchase items or subscribe to services after clicking from our App to other apps or websites.

With the exception of one-time sponsorships with advertisers (which are charged a separate and specific fee), all advertising is serviced via a third-party advertising server for billing and verification purposes. Revenues are generated by measuring delivered impressions on a cost per thousand (CPM) basis and completed engagements on a cost per engagement (CPE) basis. Our sales team contracts with brand advertisers to deliver a specific number of impressions and/or engagements for a specific price per thousand impressions and/or per completed engagement. The third-party ad server then serves the ads and/or engagements within the App during the course of using the Viggle App. As impressions and engagements are delivered and completed, we bill brand partners or advertising agencies on a monthly basis for the media delivered at our contracted rates.

#### Watchpoints and Engagement Points

The Company issues points to its users as an incentive to utilize the Viggle App and its features. Users can redeem these points for rewards. The Company records the cost of these points based on the weighted average cost of redemptions during the period. Points earned, but not redeemed, are classified as a liability.

The Company reports points earned for checking into shows and points earned for engaging in advertiser sponsored content as a separate line in its Consolidated Statements of Operations ("Cost of watchpoints and engagement points"). All other points earned by users are reflected as a marketing expense in selling, general and administrative expense.

#### Target Consumers

While most people watch television, we are targeting male and female consumers between the ages of 18 to 49 years old. This target audience was selected due to the amount of TV they consume on a weekly basis, as well as the likelihood that they will have smartphones and other wireless devices such as tablets and laptops with them while viewing television. To build our user base, we will target this audience using traditional media techniques such as direct response, banner and mobile advertising, public relations, search engine optimization and search engine marketing across online, broadcast and print media outlets.

When a user signs up for and downloads our App, we collect the user's email, zip code, television provider and date of birth. The email enables us to verify the user and reduces the chance of fraud. The zip code allows us to present a relevant list of cable and satellite providers to the user to deliver the correct channel listing data. Knowing the

television provider in turn helps us to increase the rate of success for television show matching. We encourage users to provide additional information such as their physical mailing address. Knowing the user's birthday allows us to verify that the user is at least 13 years old. The physical mailing address is required for the delivery of physical goods selected by the user in the App rewards catalog. This information also helps us better target relevant advertising to the user. We manage this information in adherence with standard privacy policies and regulations.

#### Competitive Position

The market for digital and social media applications is intensely competitive and subject to rapid change. New competitors may be able to launch new businesses at relatively low cost. Many consumers maintain simultaneous relationships with multiple digital brands and products and can easily shift consumption from one provider to another. Additionally, the "Social TV" category is nascent and has yet to attract the attention of mainstream consumers and marketers. Many of our competitors are larger, more established and better funded and have a history of successful operations. Although we launched our first

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version of our App in January 2012, there can be no assurance of how successful the product will be or how effectively the technology will perform.

While there are a variety of companies currently in the market that offer either manual check-in or audio verification, we believe our App differs significantly because we offer users real, as opposed to virtual, rewards such as movie tickets, music cards and gift cards, and we drive our customers to engage and interact with TV shows for longer periods of time. We offer a comprehensive range of features and functionality, such as automatic check-ins using audio verification, in-app digital advertising engagements (such as games or videos, real-time polls and quizzes) and full social media integration that reward our users for being more loyal to their TV shows and provide our users with, we believe, more enjoyment at the same time. Such integration makes it easy for users to share what they are doing within the App with their social network and to follow show-specific commentary on Twitter and Facebook. We also offer the user a listing of current and upcoming shows for which they can set reminders, learn more information and indicate their support of the show by “liking” it.

Other companies in the “Social TV” market focus on the simple ability of a user to communicate their television viewing activity to others in the user's social media circles. Instead of real rewards, these companies offer their users virtual points, leader board status, digital badges or stickers. We believe that our target market will be motivated by the ability to earn real rewards on a frequent basis and to interact in real time via show-specific polls, quizzes, videos and games.

#### Going Concern

Our Consolidated Financial Statements, and the auditor's report on those financial statements, include a disclosure paragraph regarding the uncertainty of our ability to remain a going concern, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company is unlikely to pay dividends or generate significant revenue or earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its stockholders and the ability of the Company to obtain necessary equity or debt financing to continue development of its business and to increase revenue. Management intends to raise additional funds through equity and/or debt offerings until sustainable revenues are developed. There is no assurance such equity and/or debt offerings will be successful or that development of the business will be successful.

#### Results of Operations

Results for the Years Ended June 30, 2013 and 2012 (amounts in thousands)

	Year Ended June 30, 2013	Year Ended June 30, 2012	Variance
Revenues	\$13,907	\$1,735	\$12,172
Cost of watchpoints and engagement points	(8,461)	(5,639)	(2,822)
Selling, general and administrative expenses	(102,433)	(92,572)	(9,861)
Operating loss	(96,987)	(96,476)	(511)
Other income (expense):			
Other income (expense), net	7,062	(188)	7,250
Interest (expense) income, net	(1,408)	153	(1,561)
Total other income (expense)	5,654	(35)	5,689
Net loss before provision for income taxes	(91,333)	(96,511)	5,178
Income tax expense	(70)	—	(70)

Net Loss \$(91,403 ) \$(96,511 ) \$5,108

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Consolidated Operating Results for the Year Ended June 30, 2013 Compared to the Year Ended June 30, 2012  
(amounts in thousands)

Revenues

Operating revenue for the year ended June 30, 2013 increased to \$13.9 million from \$1.7 million for the year ended June 30, 2012. The increase was primarily from increased sales of brand advertising on the Viggle App and barter revenue.

Cost of Watchpoints and Engagement Points

Cost of watchpoints and engagement points for the year ended June 30, 2013 was \$8.5 million, an increase of \$2.8 million from the prior year. Such costs relate to the cost of Viggle reward points earned by users of the App for checking into shows and engaging with advertising content. The increase is related to the increase in the number of registered users on the Viggle App.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$102.4 million for the year ended June 30, 2013, an increase of \$9.9 million from the prior year. The increase was primarily due to increases of:

- \$2.6 million of personnel costs, primarily salary and related benefits;
- \$3.2 million of marketing costs;
- \$1.9 million of technology related costs;
- \$2.2 million of stock based compensation;
- \$1.5 million of depreciation and amortization;
- \$3.3 of barter expense;

partially offset by decreases of:

- \$1.1 million of outside labor costs;
- \$3.5 million of costs related to TIPPT incurred in the prior year.

Other Income, Net

Other income, net primarily includes gains related to the valuations of the warrants payable of \$4.2 million and the conversion feature within the convertible note of \$2.8 million.

Interest (Expense) Income, Net

Interest expense, net was \$1.4 million for the year ended June 30, 2013, which included interest income of \$0.1 million. The increase in interest expense in 2013 is due to an increase in debt. Interest income, net was \$0.2 million for the year ended June 30, 2012.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, Income Taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement

and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements. At June 30, 2013 and 2012, the Company provided a full valuation allowance on its deferred tax assets and thus recognized no tax benefit. For the year ended June 30, 2013, the Company recorded an income tax provision of \$70 to reflect tax amortization of the Company's goodwill.



### Non-GAAP Adjusted Rewards Costs and Adjusted EBITDA

The Company provides a non-GAAP measure for adjusted rewards costs as an alternative view of the Company's cost of providing rewards to its users. The Company reports rewards costs in its Consolidated Statements of Operations in both Cost of watchpoints and engagement points and in Selling, general and administrative expenses. Management believes that due to the lack of operating history associated with user point accumulation and redemption activity, that a useful financial measure for investors is to provide the amount of cash the Company has actually paid to provide rewards to its users. The Company also presents Adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure that represents operating loss (as reported) plus depreciation and amortization, stock based compensation, and the adjustment to rewards costs. The information on adjusted rewards costs and Adjusted EBITDA should be considered in addition to, but not in lieu of, operating loss prepared in accordance with generally accepted accounting principles in the United States (GAAP). Management believes these non-GAAP measures enhance investors' understanding of the Company's financial performance. Since adjusted rewards costs and Adjusted EBITDA are not measures determined in accordance with GAAP, they have no standardized meaning prescribed by GAAP and therefore, may not be comparable to the calculation of similar measures of other companies. A reconciliation between GAAP financial measures and non-GAAP financial measures is as follows:

Reconciliation of rewards cost to adjusted rewards cost and selling, general and administrative expenses to adjusted selling, general and administrative expenses (amounts in thousands)

	Year ended June 30, 2013	Year ended June 30, 2012
Cost of watchpoints and engagement points as reported	\$(8,461 )	\$(5,639 )
Adjustment to cost of watchpoints and engagement points	3,187	2,355
Adjusted cost of watchpoints and engagement points	\$(5,274 )	\$(3,284 )
Selling, general and administrative expenses as reported	\$(102,433 )	\$(92,572 )
Adjustment to selling, general and administrative expenses	1,376	1,138
Adjusted selling, general and administrative expenses	\$(101,057 )	\$(91,434 )

Reconciliation of operating loss to Adjusted EBITDA (amounts in thousands)

	Year ended June 30, 2013	Year ended June 30, 2012
Operating loss as reported	\$(96,987 )	\$(96,476 )
Add:		
Stock compensation costs	56,525	54,064
Adjustment to cost of watchpoints and engagement points	3,187	2,355
Adjustment to Selling, general and administrative expenses	1,376	1,138
Depreciation and amortization costs	3,771	2,280
Adjusted EBITDA *	\$(32,128 )	\$(36,639 )

\* Adjusted EBITDA is a non-GAAP measure, but shown above it represents operating loss plus depreciation and amortization, stock based compensation, and adjustment to rewards costs

### Liquidity and Capital Resources

#### Cash

At June 30, 2013 and 2012, we had cash balances of \$1.4 million and \$3.0 million, respectively.



### Availability Under Lines of Credit

On February 11, 2013, SIC II provided an additional line of credit to the Company of up to \$25.0 million (See Notes to Consolidated Financial Statements Note 7), which was exchanged for a New \$25.0 million Line of Credit Note on March 11, 2013. As of June 30, 2013, the Company had \$11.0 million of funds available under the credit line.

The Company's capital requirements to fund its business plan are variable based on a few key factors: the number of users, the amount of points earned per user, the amount of points redeemed for rewards, and our cost to purchase, acquire, and/or trade for rewards. These factors combine to determine our rewards cost for the next 12 months. Rewards costs are expected to be the largest variable cost to our business for the foreseeable future and, therefore, controlling these costs will have the greatest impact on our liquidity and capital resources. We anticipate the ability to lower rewards cost through the introduction of specific brand offers, additional sweepstakes, and virtual rewards into our rewards catalog, but there is no guarantee we will lower our rewards costs in the next 12 months. As we increase users of the Viggle app, we expect to generate increased revenue from the sale of digital media within our App and expect these sales to be a source of liquidity within the next 12 months. However, there is no guarantee that revenues will exceed rewards cost in the next 12 months or ever. We have the ability to control rewards cost through the restriction of new user acquisition, the limitation of point earning opportunities within the application, and the re-pricing of points in terms of how many are needed to redeem for purchased rewards within the App. In respect to our operating costs, employee salaries, cost of marketing expenditures, leases of office space, and research & development costs constitute the majority of our monthly operating expenses. With the exception of leased office space, our operating costs are expected to increase as we add users in order to sell more advertising, to create new features and functionality on the platform, to acquire new rewards, and to market the Viggle App over the next 12 months. The overall level of expenses will be reflective of management's view of the current opportunities for the Viggle App within the marketplace. We utilize significant computing resources to run our mobile platform and purchase certain server hardware; however, we lease the majority of needed computing hardware, bandwidth, and co-location facilities. Accordingly, we can limit the cost of these servers to be in line with user growth. The Company plans to carefully manage its growth and related costs to ensure it has sufficient capital resources to meet the goals of its business plan for the next 12 months.

### The Company's 12-Month Plan for its Business

The Company has projected the plan for its business for the next 12 months, which is subject to change resulting from both internal and external circumstances. The Company's 12-month plan has not been reviewed for consistency with US GAAP, and has been prepared on a modified accrual basis. The Company's 12-month plan is based on assumptions and is subject to risks and uncertainties. Our 12-month plan represents our estimates and assumptions only as of the date of this Annual Report on Form 10-K, and our actual future results may be materially different from what we set forth below.

There is no assurance that the plan set forth will be successful. If implemented, actual results may vary significantly from the plan described in this Annual Report. We do not warrant or guarantee the foregoing.

The Company's current plan will require capital of approximately \$21 million over the next 12-month period to cover the fixed expenses and capital needs of the Company, including employee payroll, marketing expenditures, server capacity, research and development, office space and capital expenditures. As of the filing of this Annual Report on Form 10-K, the Company has up to \$6.0 million available to draw on its credit line to fund its operations (see Note 7 Loans Payable and Note 14 Subsequent Events in the Notes to the Consolidated Financial Statements). In order to meet its capital requirements for the next 12 months, the Company anticipates it will need approximately \$15 million in new capital (in excess of the cash currently held by the Company and amounts currently available to draw under its credit line). We believe revenue will continue to improve over the next 12 months as we sell more advertising within

the App. Additionally, we believe that as our user base grows, we will be able to introduce specific brand offers, additional sweepstakes, and virtual rewards into our rewards catalog, which will help reduce cash required to fund rewards. As our App becomes more popular, we plan to increase the number of points needed to redeem certain rewards, which in turn should reduce the cash required to fund rewards. In early Fiscal 2014, we increased our revenue and added new rewards to the catalog which required less cash to purchase than some of our previous rewards. This enabled us to reduce our cash outlay for rewards. As we continue to add new items to our rewards catalog, we will focus on how those items are priced in points with the goal of reducing our cash outlay for rewards. Although the increase in revenue and the addition of lower cost rewards suggest that we should be able to reduce our cash funding requirements over the next 12 months, there is no guarantee that we will be successful. Our ability to sell increasing amounts of advertising is dependent on the amount of registered active users and the activity of those users within the App. It may be challenging to grow revenue as the Company faces many competitors seeking to gather revenue in the same manner. Advertising budgets can shift rapidly and the benefits previously seen by advertisers could shift away from mobile platforms to something new. We may not be able to deliver enough users to our advertisers to grow revenue. The level of engagement activity currently seen within the App may

slow and the potential revenue per user would fall accordingly. In addition, growing our user base makes us more attractive to advertisers, but will also increase our total rewards cost as new users earn points within the App. We will need to increase our revenue per user above the average cash cost per user in order to achieve profitability. There is no guarantee that we will be able to do so. Our ability to purchase rewards for greater discounts as we buy more may not be sustainable and we may reach a floor on the level of discounting. We have no plan to materially adjust the overall points pricing within our rewards catalog; however, we may find a wholesale re-pricing necessary to reduce the cash needed to fund our rewards program. Adjusting the points needed to redeem a reward may decrease our funding requirements, but may have the counter-balancing effect of discouraging user acceptance and satisfaction.

The actual amount of funds required for the next 12 months may vary depending upon the number of users, the rewards offered, the marketing and related expenses, the development costs for the launch of new features and product enhancements, and the speed with which prospective users enroll in the App. In the event that the required cash is not funded from revenue, the Company will need to raise additional capital through either debt or equity financing. Alternatively, the Company would need to revise its business plan to reduce its spending rate and delay certain projects that are part of its business plan based on the amount of capital available until additional capital is raised.

Cash Flows for the Year Ended June 30, 2013 (amounts in thousands)

	Year Ended June 30, 2013		Year Ended June 30, 2012	
Net cash used by operating activities	\$(32,237	)	\$(32,580	)
Net cash used in investing activities	\$(944	)	\$(13,517	)
Net cash provided by financing activities	\$31,577		\$45,266	

Operating Activities

Cash used in operating activities was \$32.2 million for the year ended June 30, 2013. This included a net loss of \$91.4 million, partially offset by non-cash, share based compensation of \$56.5 million.

Investing Activities

Cash used in investing activities was \$0.9 million for the year ended June 30, 2013. The primary components consisted of \$0.6 million used for the purchase of property and equipment and \$0.4 million used for capitalized software costs.

Financing Activities

Cash provided by financing activities was \$31.6 million for the year ended June 30, 2013. This amount consisted primarily of \$21.5 million cash proceeds from the lines of credit and \$10.0 million cash proceeds from the DB Line.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material impact on the Company.

Commitments and Contingencies

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we are not required to provide the information required by this item.

#### Application of Critical Accounting Policies

The following accounting policies require significant management judgments and estimates:

##### Revenue Recognition

The Company recognizes revenue when: (1) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which products or services will be provided; (2) delivery has occurred or services have been

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provided; (3) the fee is fixed or determinable; and (4) collection is reasonably assured. For all revenue transactions, the Company considers a signed agreement, a binding insertion order or other similar documentation to be persuasive evidence of an arrangement.

**Advertising Revenue:** We generate advertising revenue primarily from display and video advertising, which is typically sold on a cost-per-thousand impressions, or CPM basis, and completed engagements on a cost per engagement, or CPE basis. Advertising campaigns typically range from one to 12 months, and advertisers generally pay us based on a minimum of delivered impressions, or the satisfaction of other criteria, such as click-throughs.

**Deferred Revenue:** Our deferred revenue consists principally of both prepaid but unrecognized revenue and advertising fees received or billed in advance of the delivery or completion of the delivery of services. Deferred revenue is recognized as revenue when the services are provided and all other revenue recognition criteria have been met.

**Barter Revenue:** Barter transactions represent the exchange of advertising or programming for advertising, merchandise or services. Barter transactions which exchange advertising for advertising are accounted for in accordance with EITF Issue No. 99-17 "Accounting for Advertising Barter Transactions" (ASC Topic 605-20-25). Such transactions are recorded at the fair value of the advertising provided based on the Company's own historical practice of receiving cash for similar advertising from buyers unrelated to the counter party in the barter transactions.

Barter transactions which exchange advertising or programming for merchandise or services are recorded at the monetary value of the revenue expected to be realized from the ultimate disposition of merchandise or services.

The Company recognized barter revenue for the year ended June 30, 2013 of \$3,282. The Company recognized barter expense for the year ended June 30, 2013 of \$3,282. The Company did not recognize any barter revenue or barter expense for the year ended June 30, 2012.

#### Watchpoints and Engagement Points

The Company issues points to its users as an incentive to utilize the App and its features. Users can redeem these points for rewards. The Company records the cost of these points based on the weighted average cost of redemptions during the period. Points earned, but not redeemed, are classified as a liability.

Users earn points for various activities and the Company reports points earned for checking into shows and points earned for engaging in advertiser sponsored content as a separate line in its Consolidated Statements of Operations ("Cost of watchpoints and engagement points"). All other points earned by users are reflected as a marketing expense in selling, general and administrative expense.

#### Impairment of Long-Lived Assets.

The Company applies the provisions of ASC 360, "Property, Plant, and Equipment", which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair values are reduced for the cost of disposal.

There was no significant impairment to the Company's long lived assets as of, and for the year ended, June 30, 2013.

Based on the Company's review of the fair value of its intangible assets for the year ended June 30, 2012, the Company 1) derecognized \$2,378 of contingent consideration attributable to the Company's warrant that was to be issued to TIPPT LLC because the warrant was never issued; and 2) performed a review of the fair value of the remaining \$2,250 carrying value of the 100 Mile Group Agreement relating to the TIPPT transaction (see Note 4 to the Consolidated Financial Statements, Acquisitions). The Company recorded an impairment charge for the full carrying value of this agreement. Accordingly, the carrying value of such agreement as of June 30, 2012 was zero.

#### Internal Use Software

The Company capitalizes costs related to the development of internal use software in accordance with ASC 350-40. When capitalized, the Company will amortize the costs of computer software developed for internal use on a straight-line basis or



appropriate usage basis over the estimated useful life of the software. Computer software development costs have been capitalized in the amounts of \$372 and \$317 for the years ended June 30, 2013 and June 30, 2012, respectively.

#### Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, Income Taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the financial statements.

#### Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, Compensation – Stock Compensation. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period. The Company uses the Black-Scholes and Binomial Lattice Model option pricing model to determine the fair value of stock options and warrants issued. Stock-based awards issued to date are comprised principally of restricted stock awards (RSUs) and employee stock options.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), we are not required to provide the information required by this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Viggle Inc.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders

Viggle Inc.

New York, New York

We have audited the accompanying consolidated balance sheets of Viggle Inc. (the "Company") as of June 30, 2013 and 2012, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Viggle Inc. at June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and at June 30, 2013 has deficiencies in working capital and equity that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ BDO USA, LLP

New York, NY

September 17, 2013

Viggle Inc.  
CONSOLIDATED BALANCE SHEETS  
(amounts in thousands, except share data)

	June 30, 2013	June 30, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$1,359	\$2,963
Accounts receivable (net of allowance for doubtful accounts of \$75 and \$0 at June 30, 2013 and 2012, respectively)	2,802	1,424
Prepaid expenses	915	1,000
Other receivables	236	1,290
Total current assets	5,312	6,677
Restricted cash	696	696
Property & equipment, net	2,815	2,861
Intangible assets, net	4,942	7,723
Goodwill	2,953	2,953
Other assets	57	40
Total assets	\$16,775	\$20,950
Liabilities and stockholders' (deficit) equity		
Current liabilities:		
Accounts payable and accrued expenses	\$5,622	\$4,838
Reward points payable	7,936	3,454
Common stock warrant liability	443	4,626
Guarantee liability	—	963
Deferred revenue	237	572
Current portion of loan payable	10,000	2,500
Total current liabilities	24,238	16,953
Loans payable, less current portion	24,782	—
Fair value of derivative embedded within convertible debt	3,870	—
Other long-term liabilities	1,263	1,310
Total liabilities	54,153	18,263
Commitments and contingencies - see note 8		
Stockholders' equity:		
Preferred stock, \$0.001 par value, authorized 1,000,000 shares, no shares issued and outstanding	—	—
Common stock, \$0.001 par value: authorized 300,000,000 shares, issued and outstanding 91,124,452 shares as of June 30, 2013, issued and outstanding 76,470,041 shares as of June 30, 2012	91	76
Additional paid-in-capital	186,477	135,019
Due from executive officer	(3,561)	(3,426)
Accumulated deficit	(220,385)	(128,982)
Total stockholders' (deficit) equity	(37,378)	2,687
Total liabilities and stockholders' (deficit) equity	\$16,775	\$20,950

See accompanying notes to consolidated financial statements

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Viggle Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except share and per share data)

	Year Ended June 30, 2013	Year Ended June 30, 2012
Revenues	\$ 13,907	\$ 1,735
Cost of watchpoints and engagement points	(8,461 )	(5,639 )
Selling, general and administrative	(102,433 )	(92,572 )
Operating loss	(96,987 )	(96,476 )
Other income (expense):		
Other income (expense), net	7,062	(188 )
Interest (expense) income, net	(1,408 )	153
Total other income (expense)	5,654	(35 )
Net loss before provision for income taxes	(91,333 )	(96,511 )
Income tax expense	(70 )	—
Net Loss	\$(91,403 )	\$(96,511 )
Net loss per common share - basic and diluted	\$(1.12 )	\$(1.31 )
Weighted average common shares outstanding - basic and diluted	81,445,220	73,801,034

See accompanying notes to consolidated financial statements

Viggle Inc.

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(amounts in thousands)

	Common Stock	Additional Paid-In Capital	Due from Executive Officer	Accumulated Deficit	Total
Balance June 30, 2011	67	\$39,779	\$(3,291	) \$(32,471	) \$4,084
Net loss	—	—	—	(96,511	) (96,511 )
Private placements of common stock and warrants for cash	9	37,523	—	—	37,532
Compensation charge for fair value of common stock and warrants issued in connection with private placement	—	21,572	—	—	21,572
Interest income on notes receivable from shareholders	—	(5	)—	—	(5 )
Interest income on notes receivable from Executive Officer	—	—	(135	)—	(135 )
Employee stock options - share based compensation	—	5,916	—	—	5,916
Restricted stock based compensation	—	26,576	—	—	26,576
Stock issued for WatchPoints acquisition	—	1,600	—	—	1,600
Stock issued for Loyalize	—	1,719	—	—	1,719
Capital contribution related to corporate jet	—	336	—	—	336
Notes receivable from stockholders	—	3	—	—	3
Balance June 30, 2012	\$76	\$135,019	\$(3,426	) \$(128,982	) \$2,687
Net loss	—	—	—	(91,403	) (91,403 )
Compensation charge for fair value of common stock and warrants issued in connection with convertible debt offering	13	18,027	—	—	18,040
Compensation charge for fair value of stock issued for services	—	70	—	—	70
Compensation charge for warrants issued in connection with borrowing on line of credit	—	1,533	—	—	1,533
Shares issued in connection with Loyalize guarantee	1	1,464	—	—	1,465
Interest income on notes receivable from shareholders	—	(2	)—	—	(2 )
Interest income on notes receivable from Executive Officer	—	—	(135	)—	(135 )
Employee stock options - share based compensation	—	12,089	—	—	12,089
Restricted stock - share based compensation	1	18,200	—	—	18,201
Notes receivable from shareholders	—	77	—	—	77
Balance June 30, 2013	\$91	\$186,477	\$(3,561	) \$(220,385	)