

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **September 30, 2020**

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 Number: **000-55591**

LOOP MEDIA, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation)

47-3975872
(IRS Employer Identification Number)

**700 N. Central Ave., Suite 430,
Glendale, CA 91203**
(Address of principal executive offices) (Zip Code)

(818) 823-4801
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer
Non-accelerated filer
Emerging growth company

Accelerated filer
Smaller reporting company

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

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

As of November 12, 2020, the registrant had 116,314,897 shares of common stock issued and outstanding.

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PART I — FINANCIAL INFORMATION

Item 1 Financial Statements.

LOOP MEDIA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current assets		
Cash	\$ 1,971,923	\$ 1,011,445
Accounts receivable	780,939	673,971
Inventory	39,075	28,395
Prepaid expenses and other current assets	80,721	13,697
Prepaid income tax	119,933	118,283
Operating lease right-of-use assets - current	153,612	155,868
Note receivable - current	10,215	10,215
Total current assets	3,156,418	2,011,874
Non-current assets		
Deposit	246,831	19,831
Equipment, net	30,079	28,027
Operating lease right-of-use assets	228,323	347,076
Intangible assets, net	963,111	1,128,555
Note receivable	97,975	102,318
Goodwill	583,086	583,086
Total non-current assets	2,149,405	2,208,893
Total assets	\$ 5,305,823	\$ 4,220,767
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,002,708	\$ 1,044,795
Payable on acquisition	250,125	250,125
Loans Payable	—	1,000,000
Deferred Income	101,613	116,440
Convertible debt related party - current	523,809	—
Convertible debt – current, net of unamortized discount of \$19,640 and \$0 as of September 30, 2020 and December 31, 2019, respectively	593,503	—
Lease liability - current	146,153	147,458
Total current liabilities	2,617,911	2,558,818
Non-current liabilities		
Convertible debt – related party, net of unamortized discount of \$1,910,734 and \$2,360,898 as of September 30, 2020 and December 31, 2019, respectively	715,868	639,102
Convertible debt, net of unamortized discount of \$0 and \$24,291 as of September 30, 2020 and December 31, 2019, respectively	—	588,852
Note payable – non-current	573,500	—
Lease liability	242,245	360,369
Total non-current liabilities	1,531,613	1,588,323
Total liabilities	4,149,524	4,147,141
Commitments and Contingencies (Note 11)	—	—
STOCKHOLDERS' EQUITY		
Series A Convertible Preferred stock, \$0.0001 par value, 666,667 shares authorized, 30,667 and 0 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	3	—
Series B Convertible Preferred stock, \$0.0001 par value, 3,333,334 shares authorized, 200,000 and 0 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	20	—
Common Stock, \$0.0001 par value, 316,666,667 shares authorized, 114,320,911 and 101,882,647 shares issued and outstanding as of September 30, 2020 and December 31, 2019, respectively	11,432	10,188
Common stock subscribed and not yet issued	135,144	150,144
Additional paid in capital	36,669,899	26,038,546
Accumulated deficit	(35,660,199)	(26,125,252)
Total stockholders' equity	1,156,299	73,626
Total liabilities and stockholders' equity	\$ 5,305,823	\$ 4,220,767

See the accompanying notes to the unaudited condensed consolidated financial statements

LOOP MEDIA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Total revenue	\$ 626,785	\$ 834,681	\$ 2,088,913	\$ 2,503,580
Cost of revenue	262,417	242,652	647,337	682,848
Gross Profit	364,368	592,029	1,441,576	1,820,732
Operating expenses:				
Selling, general and administrative	1,760,284	955,197	6,456,975	5,100,037
Total operating expenses	1,760,284	955,197	6,456,975	5,100,037
Loss from operations	(1,395,916)	(363,168)	(5,015,399)	(3,279,305)
Other income (expense)				
Interest income	1,097	1,691	3,556	4,103
Interest expense	(247,153)	(220,775)	(739,698)	(700,980)
Loss on settlement of debt	—	(153,151)	—	(153,151)
Loss on settlement of obligation	—	—	—	(19,779)
Inducement expense	—	—	(3,793,406)	—
Other income	—	—	10,000	—
Total other income (expense)	(246,056)	(372,235)	(4,519,548)	(869,807)
Income tax expense	—	—	—	—
Net loss	\$ (1,641,972)	\$ (735,403)	\$ (9,534,947)	\$ (4,149,112)
Deemed dividend	—	—	(3,800,000)	—
Net loss attributable to common stockholders	\$ (1,641,972)	\$ (735,403)	\$ (13,334,947)	\$ (4,149,112)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.12)	\$ (0.06)
Weighted average number of shares	113,192,998	65,483,127	111,353,785	64,370,754

See the accompanying notes to the unaudited condensed consolidated financial statements

LOOP MEDIA, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT), (UNAUDITED)
FOR THE NINE MONTHS ENDED September 30, 2020

	Common Stock		Preferred Stock Series A		Preferred Stock Series B		Common stock subscribed		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Class A	Class B			
BALANCES, December 31, 2019	101,882,647	\$ 10,188	—	\$ —	—	\$ —	150,144	\$ —	\$ 26,038,546	\$ (26,125,252)	\$ 73,626
Shares issued for cash	1,040,000	104	—	—	—	—	—	—	389,896	—	390,000
Cash received for common stock subscribed	—	—	—	—	—	—	20,000	—	—	—	20,000
Issuance of common stock subscribed	40,000	4	—	—	—	—	(15,000)	—	14,996	—	—
Shares issued for consulting fees	4,000,000	400	—	—	—	—	—	—	1,499,600	—	1,500,000
Shares issued in connection with reverse merger	5,168,931	517	30,667	3	—	—	—	—	(264,496)	—	(263,976)
Shares issued for cash	—	—	—	—	100,000	10	—	—	4,799,990	—	4,800,000
Shares issued debt settlement	—	—	—	—	100,000	10	—	—	4,799,990	—	4,800,000
Warrants issued for settlement of debt with related party	—	—	—	—	—	—	—	—	185,563	—	185,563
Deemed Dividend	—	—	—	—	—	—	—	—	(3,800,000)	—	(3,800,000)
Net loss	—	—	—	—	—	—	—	—	—	(6,484,087)	(6,484,087)
BALANCES, March 31, 2020	112,131,578	\$ 11,213	30,667	\$ 3	200,000	\$ 20	155,144	\$ —	\$ 33,664,085	\$ (32,609,339)	\$ 1,221,126
Stock-based compensation	—	—	—	—	—	—	—	—	171,798	—	171,798
Net loss	—	—	—	—	—	—	—	—	—	(1,408,888)	(1,408,888)
BALANCES, June 30, 2020	112,131,578	\$ 11,213	30,667	\$ 3	200,000	\$ 20	155,144	\$ —	\$ 33,835,883	\$ (34,018,227)	\$ (15,964)
Shares issued for cash	2,136,000	214	—	—	—	—	—	—	2,669,786	—	2,670,000
Issuance of common stock subscribed	53,333	5	—	—	—	—	(20,000)	—	19,995	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	144,235	—	144,235
Net loss	—	—	—	—	—	—	—	—	—	(1,641,972)	(1,641,972)
BALANCES, September 30, 2020	114,320,911	\$ 11,432	30,667	\$ 3	200,000	\$ 20	135,144	\$ —	\$ 36,669,899	\$ (35,660,199)	\$ 1,156,299

See the accompanying notes to the unaudited condensed consolidated financial statements

LOOP MEDIA, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT), (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	Common Stock Class A		Common Stock Class B		Common stock subscribed		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Class A	Class B			
BALANCES, December 31, 2018	50,907,418	\$ 5,091	9,755,304	\$ 976	\$ 92,000	\$ 1,890,000	\$ 15,191,173	\$ (14,613,510)	\$ 2,565,730
Issuance of common stock subscribed	37,605	4	—	—	(25,000)	—	24,996	—	—
Shares issued for services	—	—	2,800,000	280	—	(1,890,000)	1,889,720	—	—
Shares issued for employment settlement	—	—	1,866,667	187	—	—	1,240,773	—	1,240,960
Share-based compensation	—	—	—	—	—	—	27,898	—	27,898
Net loss	—	—	—	—	—	—	—	(2,544,550)	(2,544,550)
BALANCES, March 31, 2019	50,945,023	\$ 5,095	14,421,971	\$ 1,443	\$ 67,000	\$ —	\$ 18,374,560	\$ (17,158,060)	\$ 1,290,038
Shares issued for cash	—	—	45,127	5	—	—	29,995	—	30,000
Shares issued for debt settlement	—	—	37,605	4	—	—	24,996	—	25,000
Stock-based compensation	—	—	—	—	—	—	27,898	—	27,898
Net loss	—	—	—	—	—	—	—	(869,159)	(869,159)
BALANCES, June 30, 2019	50,945,023	\$ 5,095	14,504,703	\$ 1,452	\$ 67,000	\$ —	\$ 18,457,449	\$ (18,027,219)	\$ 503,777
Shares issued for cash	260,782	26	—	—	(67,000)	—	126,964	—	59,990
Cash received for common stock subscribed	—	—	—	—	122,976	—	—	—	122,976
Beneficial conversion feature of convertible debt	—	—	—	—	—	—	176,645	—	176,645
Net loss	—	—	—	—	—	—	—	(735,403)	(735,403)
BALANCES, September 30, 2019	51,205,805	\$ 5,121	14,504,703	\$ 1,452	\$ 122,976	\$ —	\$ 18,761,058	\$ (18,762,622)	\$ 127,985

See the accompanying notes to the unaudited condensed consolidated financial statement

LOOP MEDIA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine months ended September 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (9,534,947)	\$ (4,149,112)
Adjustments to reconcile net loss to net cash:		
Amortization of debt discount	454,815	453,155
Depreciation and amortization expense	173,991	165,994
Amortization of right-to-use asset	100,184	184,584
Stock-based compensation	1,816,033	1,296,756
Inducement expense	3,793,406	—
Loss on settlement of obligations	—	19,779
Loss on extinguishment of debt	—	153,151
Changes in operating assets and liabilities:		
Accounts receivable	(106,968)	107,535
Inventory	(10,680)	(1,601)
Prepaid expenses and other current assets	(67,024)	89,867
Prepaid income tax	(1,650)	(119,500)
Deposit	(227,000)	(4,182)
Accounts payable and accrued liabilities	116,640	526,240
Income tax payable	—	(800)
Operating lease liabilities	(98,605)	(181,036)
Deferred income	(14,827)	(58,131)
CASH USED IN OPERATING ACTIVITIES	(3,606,632)	(1,517,301)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(10,599)	(20,684)
Collection of note receivable	4,343	4,173
CASH USED IN INVESTING ACTIVITIES	(6,256)	(16,511)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	573,500	—
Cash paid on payable on acquisition	—	(2,025,000)
Repayment of stockholder loans	—	(348,286)
Reverse merger cost	(80,134)	—
Proceeds from issuing common stock subscribed	20,000	—
Proceeds from issuance of convertible notes	—	277,473
Proceeds from issuance of shares	3,060,000	89,990
Shares issued for cash	1,000,000	—
CASH PROVIDED FOR (USED IN) FINANCING ACTIVITIES	4,573,366	(2,005,823)
Change in cash and cash equivalents	960,478	(3,539,635)
Cash, beginning of period	1,011,445	3,838,661
Cash, end of period	\$ 1,971,923	\$ 299,026
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 53,932	\$ 50,000
Cash paid for income taxes	\$ 260	\$ 120,300
NON-CASH TRANSACTIONS		
Shares issued in connection with reverse merger	\$ 517	\$ —
Preferred shares issued in connection with reverse merger	\$ 3	\$ —
Assumption of debt with related party as part of reverse merger	\$ 183,842	\$ —
Warrants issued to extinguish debt with related party	\$ 185,563	\$ —
Debt and accrued interest exchanged as part of debt settlement	\$ 1,006,594	\$ —
Preferred Shares issued for debt settlement	\$ 10	\$ —
Assumption of lease by related party	\$ 20,825	\$ —
Deemed Dividend	\$ 3,800,000	\$ —
Common stock subscribed for settlement of obligations	\$ —	\$ 122,976
Accrued interest rolled into convertible note	\$ 150,411	\$ —
Beneficial conversion feature recorded as debt discount	\$ —	\$ 29,967
Shares issued for common stock subscribed	\$ 35,000	\$ 1,915,000
Right of use assets upon the adoption of ASC 842	\$ —	\$ 444,112
Addition of new leases accounted for under ASC 842	\$ —	\$ 75,274

See the accompanying notes to the unaudited condensed consolidated financial statements

LOOP MEDIA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020
(Unaudited)

NOTE 1 – BUSINESS

Loop Media Inc. (the “Company”; formerly Interlink Plus, Inc.) is a Nevada corporation. The Company was incorporated under the laws of the State of Nevada on May 11, 2015. On February 5, 2020, the Company and the Company’s wholly owned subsidiary, Loop Media Acquisition, Inc. (“Merger Sub”), a Delaware corporation, closed the Agreement and Plan of Merger (the “Merger Agreement”) with Loop Media, Inc. (“Loop”), a Delaware corporation. Pursuant to the Merger Agreement, Merger Sub merged with and into Loop with Loop as surviving entity and becoming a wholly-owned subsidiary of the Company (the “Merger”).

Pursuant to the Merger Agreement, the Company acquired 100% of the outstanding shares of Loop in exchange for 152,823,970 of the Company’s common stock at an exchange ratio of 1:1. Loop was incorporated on May 18, 2016 under the laws of the State of Delaware. As a result of such acquisition, the Company’s operations now are focused on premium short-form video for businesses and consumers.

In connection with the Merger, on February 6, 2020, the Company entered into a Purchase Agreement (the "Asset Purchase Agreement") with Zixiao Chen ("Buyer") for the purchase of assets relating to the Company’s two major business segments: travel agency assistance services and convention services (together, the "Business"). In consideration for the assets of the Business, Buyer transferred to the Company 2,000,000 shares of its common stock and agreed to assume and discharge any and all liabilities relating to the Business accruing up to the effective time of the Asset Purchase Agreement. The shares were retired and restored to the status of authorized and unissued shares.

Loop owns 100% of the capital stock of two companies that make up ScreenPlay. ScreenPlay is a combination of ScreenPlay, Inc. (“SPI”), a state of Washington corporation incorporated in 1991, and SPE, Inc. (“SPE”), a state of Washington corporation incorporated in 2008. ScreenPlay provides customized audiovisual environments that support integrated brand strategies for clients in the retail, hospitality, and business services markets, and for online content providers.

For accounting purposes, Loop was the surviving entity. The transaction was accounted for as a recapitalization of Loop pursuant to which Loop was treated as the accounting acquirer, surviving and continuing entity although the Company is the legal acquirer. The Company did not recognize goodwill or any intangible assets in connection with the Merger. Accordingly, the Company’s historical financial statements are those of Loop and its wholly-owned subsidiary, ScreenPlay, immediately following the consummation of this reverse merger transaction.

On June 8, 2020, a 1 for 1.5 reverse stock split of the Company’s common stock became effective. All share and per share information in the accompanying unaudited condensed consolidated financial statements and footnotes has been retroactively adjusted for the effects of the reverse split for all periods presented.

Going Concern and Management’s Plans

As of September 30, 2020, the Company had cash of \$1,971,923 and an accumulated deficit of \$35,660,199. During the nine months ended September 30, 2020, the Company used net cash in operating activities of \$3,606,632. The Company has incurred net losses since inception. These conditions raise substantial doubt about the Company’s ability to continue as a going concern within one year from the issuance date of these unaudited condensed consolidated financial statements.

The Company’s primary source of operating funds since inception has been cash proceeds from debt and equity financing transactions. The ability of the Company to continue as a going concern is dependent upon its ability to generate sufficient revenue and its ability to raise additional funds by way of its debt and equity financing efforts.

Accordingly, the accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The unaudited condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

The spread of a novel strain of coronavirus (COVID-19) around the world in the first half of 2020 has caused significant volatility in U.S. and international markets. The Company experienced a 17% decline in revenues in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, which was directly related to business closures of key customers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements

The following (a) condensed consolidated balance sheet as of December 31, 2019, which has been derived from audited financial statements, and (b) the unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2020 are not necessarily indicative of results that may be expected for the year ending December 31, 2020.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 included in the Company's Current Report on Form 8-K/A (Amendment No. 1), filed with the Securities and Exchange Commission ("SEC") on September 28, 2020.

Basis of Presentation and Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Screenplay. All inter-company transactions and balances have been eliminated on consolidation.

Use of Estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include assumptions used in the fair value of stock-based compensation, the fair value of other equity and debt instruments, right-to-use assets, lease liabilities, fair value of intangible assets, useful lives of assets and allowance for doubtful accounts.

Concentration of Credit Risk

The Company grants credit in the normal course of business to its customers. Periodically, the Company reviews past due accounts and makes decisions about future credit on a customer by customer basis. Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. As of September 30, 2020 and December 31, 2019, the Company is exposed to credit risk to the extent that its clients become unable to meet their payment obligations.

Induced Debt Conversion

On February 5, 2020, the Company issued 200,000 shares of Series B convertible preferred stock for \$1,000,000 in cash and the exchange of a \$1,000,000 loan to the Company plus accrued interest of \$6,594. The Company applied the guidance in ASC 470-20 resulting in the recording of an inducement charge of \$3,793,406 in the unaudited condensed consolidated statement of operations for the nine months ended September 30, 2020. (Note 8).

Fair Value of Financial Instruments

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ASC 820, *Fair Value Measurements and Disclosures*, requires disclosure of the fair value of financial instruments held by the Company. FASB ASC 825, *Financial Instruments*, defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology included quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in inactive markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 inputs to the valuation methodology is one or more unobservable inputs which are significant to the fair value measurement.

The fair value of the Company's accounts receivable, short-term portion of notes receivable, notes payable for acquisition, and accounts payable approximate their carrying value, due to their short-term nature. The fair value of the deposits, long-term portion of notes receivable and the amount due to stockholders, and convertible notes approximate their fair values and are measured using Level 3 of the fair value hierarchy. The Company's cash is measured at fair value under the fair value hierarchy based on Level 1 quoted prices in active markets for identical assets or liabilities.

Revenue Recognition

Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), became effective for the Company on January 1, 2018. The Company's revenue recognition disclosure reflects its updated accounting policies that are affected by this new standard. The Company applied the "modified retrospective" transition method for open contracts for the implementation of Topic 606. As sales are and have been primarily from delivery of streaming services, delivery of subscription content services in customized formats, and delivery of hardware and ongoing content delivery through software and the Company has no significant post-delivery obligations, this new standard did not result in a material recognition of revenue on the Company's consolidated financial statements for the cumulative impact of applying this new standard, therefore there was no cumulative effect adjustment required.

The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer. Revenue is measured based on the consideration the Company expects to receive in exchange for those products. In instances where final acceptance of the product is specified by the customer, revenue is deferred until all acceptance criteria have been met. Revenues are recognized under Topic 606 in a manner that reasonably reflects the delivery of the Company's products and services to customers in return for expected consideration and includes the following elements:

- executed contracts with the Company's customers that it believes are legally enforceable;
- identification of performance obligations in the respective contract;
- determination of the transaction price for each performance obligation in the respective contract;
- allocation of the transaction price to each performance obligation; and
- recognition of revenue only when the Company satisfies each performance obligation.

Performance Obligations and Significant Judgments

The Company's revenue streams can be categorized into the following performance obligations and recognition patterns:

- o Delivery of streaming services including content encoding and hosting. The Company recognizes revenue over the term of the service based on bandwidth usage.
- o Delivery of subscription content services in customized formats. The Company recognizes revenue over the term of the service.
- o Delivery of hardware for ongoing subscription content delivery through software: The Company recognizes revenue at the point of hardware delivery.

Transaction prices for performance obligations are explicitly outlined in relevant agreements; therefore, the Company does not believe that significant judgments are required with respect to the determination of the transaction price, including any variable consideration identified.

Disaggregation of Revenue

The Company's revenues are disaggregated into the following revenue streams. The content and streaming services revenue including content encoding and hosting are recognized over the term of the service based on bandwidth usage. The content subscription services revenue in customized formats is recognized over the term of the service. The hardware for ongoing subscription content delivery is recognized at the point of the hardware delivery.

The following table represents revenue by category for the three months ended September 30, 2020 and 2019:

	September 30, 2020	September 30, 2019
Content and streaming services	\$ 293,901	\$ 420,438
Content subscription services	299,386	378,627
Hardware for ongoing subscription content	33,498	35,616
Total revenue	<u>\$ 626,785</u>	<u>\$ 834,681</u>

The following table represents revenue by category for the nine months ended September 30, 2020 and 2019:

	September 30, 2020	September 30, 2019
Content and streaming services	\$ 1,053,658	\$ 1,271,351
Content subscription services	944,627	1,116,457
Hardware for ongoing subscription content	90,628	115,772
Total revenue	<u>\$ 2,088,913</u>	<u>\$ 2,503,580</u>

Customer Acquisition Costs

The Company records commission expense associated with subscription revenue. The Company has elected the practical expedient that allows the Company to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Cost of Revenue

Cost of revenue represents the cost of the delivered hardware and related bundled software and is recognized at the time of sale. For ongoing licensing and hosting fees, cost of sales is recognized over time based on usage patterns.

Deferred Income

The Company bills subscription services in advance of when the service period is performed. The deferred income recorded at September 30, 2020 and December 31, 2019, represents the Company's accounting for the timing difference between when the subscription fees are received and when the performance obligation is satisfied.

Net Loss per Share

The Company accounts for net loss per share in accordance with Accounting Standards Codification ("ASC") subtopic 260-10, *Earnings Per Share* ("ASC 260-10"), which requires presentation of basic and diluted earnings per share ("EPS") on the face of the statement of operations for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS.

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding during each period. It excludes the dilutive effects of any potentially issuable common shares.

Diluted net loss per share is calculated by including any potentially dilutive share issuances in the denominator.

The following securities are excluded from the calculation of weighted average diluted shares at September 30, 2020 and 2019, respectively, because their inclusion would have been anti-dilutive.

	September 30, 2020	September 30, 2019
Options to purchase common stock	8,312,306	5,812,307
Warrants to purchase common stock	8,217,376	21,572,181
Series A preferred stock	3,066,700	—
Series B preferred stock	20,000,000	—
Convertible debentures	6,908,637	5,841,558
Total common stock equivalent	<u>46,505,019</u>	<u>33,226,046</u>

Application of New Accounting Standards

In August 2018, the FASB issued Accounting Standards Update ASU No. 2018-13, *Fair Value Measurement (Topic 820)*, which modifies the disclosures on fair value measurements by removing the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy and the policy for timing of such transfers. The ASU expands the disclosure requirements for Level 3 fair value measurements, primarily focused on changes in unrealized gains and losses included in other comprehensive income (loss). The ASU is effective for public entities for fiscal years beginning after December 15, 2019.

The Company has not historically had any transfers between Level 1 and Level 2 or assets or liabilities measured at fair value under Level 3. The Company adopted the standard effective January 1, 2020 with no material effect on its financial statements.

Recent Accounting Pronouncements

There are various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

NOTE 3 – INVENTORY

The Company's inventory consisted of the following at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Computers	\$ 13,803	\$ 8,623
Hasp keys	352	2,240
Loop player	24,920	17,532
Total	<u>\$ 39,075</u>	<u>\$ 28,395</u>

NOTE 4 – PROPERTY AND EQUIPMENT

The Company's property and equipment consisted of the following at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Equipment	\$ 467,209	\$ 456,610
Software	53,450	53,450
	520,659	510,060
Less: accumulated depreciation	(490,580)	(482,033)
Total, net	<u>\$ 30,079</u>	<u>\$ 28,027</u>

Depreciation expense charged to operations amounted to \$2,767 and \$2,558, respectively, for the three months ended September 30, 2020 and September 30, 2019, and \$8,547 and \$4,827 respectively, for the nine months ended September 30, 2020 and September 30, 2019.

NOTE 5 – GOODWILL AND OTHER INTANGIBLE ASSETS

As of September 30, 2020 and December 31, 2019, the balance of goodwill was \$583,086.

The Company's other intangible assets consisted of the following at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Software acquired as intellectual property	\$ —	\$ 6,350,000
Screenplay brand	130,000	130,000
Customer relationships	1,012,000	1,012,000
Content library	198,000	198,000
	<u>1,340,000</u>	<u>7,690,000</u>
Less: Impairment of intangible assets acquired in 2019	—	(6,350,000)
Less: accumulated amortization	(376,889)	(211,445)
	<u>(376,889)</u>	<u>(6,561,445)</u>
Total, net	<u>\$ 963,111</u>	<u>\$ 1,128,555</u>

Amortization expense charged to operations amounted to \$52,861 and \$52,861, respectively, for the three months ended September 30, 2020 and 2019, and \$165,444 and \$158,583, respectively, for the nine months ended September 30, 2020 and 2019.

NOTE 6 – LEASES*Operating leases*

The Company has operating leases for office space and office equipment and automobiles. Many leases include one or more options to renew, some of which include options to extend the leases for a long-term period, and some leases include options to terminate the leases within 30 days. In certain of the Company's lease agreements, the rental payments are adjusted periodically to reflect actual charges incurred for capital area maintenance, utilities, inflation and/or changes in other indexes.

Lease liability is summarized below:

	September 30, 2020	December 31, 2019
Short term portion	\$ 146,153	\$ 147,458
Long term portion	242,245	360,369
Total lease liability	<u>\$ 388,398</u>	<u>\$ 507,827</u>

Maturity analysis under these lease agreements are as follows:

Three months ending December 31, 2020	\$ 43,908
2021	180,419
2022	185,834
2023	37,584
Total undiscounted cash flows	<u>447,745</u>
Less: 10% Present value discount	(59,347)
Lease liability	<u>\$ 388,398</u>

Lease expense for the nine months ended September 30, 2020 and 2019 was comprised of the following:

	Nine Months Ended September 30,	
	2020	2019
Operating lease expense	\$ 133,850	\$ 199,438
Short-term lease expense	9,803	10,922
	<u>\$ 143,653</u>	<u>\$ 210,360</u>

Operating lease expense is included in selling, general and administration expenses in the condensed consolidated statement of operations.

For the nine months ended September 30, 2020, cash payments against lease liabilities totaled \$131,706, accretion on lease liability of \$33,665 and non-cash transactions totaled \$20,825 to recognize assumption of lease by a related party.

For the nine months ended September 30, 2019, cash payments against lease liabilities totaled \$207,102, accretion on lease liability of \$26,066 and non-cash transactions of \$444,112 to bring on leases as part of the adoption of ASC 842 and an added lease during the period valued at \$75,274.

Weighted-average remaining lease term and discount rate for operating leases are as follows:

Weighted-average remaining lease term	2.43 years
Weighted-average discount rate	10%

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
	Accounts payable	\$ 263,200
Interest payable	166,290	94,069
Accrued liabilities	528,363	566,696
Payroll liabilities	44,855	26,048
Total Accounts payable and Accrued expenses	<u>\$ 1,002,708</u>	<u>\$ 1,044,795</u>

NOTE 8 – LOANS PAYABLE

On December 18, 2019, the Company entered to a loan agreement with a related party for \$1,000,000. The loan provided an interest rate of 5% compounded annually and calculated on a 360-day basis. The principal and accrued unpaid interest was due on June 30, 2020. The loan was secured by a secondary interest in all assets of both Loop and ScreenPlay.

On February 5, 2020, the Company issued 200,000 shares of Series B convertible preferred stock for (i) \$1,000,000 in cash (Note 13) and (ii) the exchange of \$1,000,000 loan to the Company plus accrued interest of \$6,594. The fair value of the common stock into which the Series B convertible preferred stock is convertible was \$9,600,000 on the date of issuance. The Company applied the guidance in ASC 470-20.

The Company recognized an inducement expense equal to the excess of the allocated fair value of the Series B Convertible preferred stock and the carrying value of the loan payable as of the date the inducement offers were accepted. The excess of the fair value of the Series B Convertible preferred stock over the carrying value of the loan payable was \$3,793,406 which amount was included as an inducement expense in the statement of operations for the nine months ended September 30, 2020.

NOTE 9 – NOTE PAYABLE

Payroll Protection Program and Economic Injury Disaster Loan Grant

The Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was signed into law on March 27, 2020 and provided for, among other things, the Payroll Protection Program (“PPP”). The CARES Act temporarily added the PPP Loan program to the U.S. Small Business Administration’s (“SBA”) 7(a) Loan Program and provides for the forgiveness of up to the full amount of qualifying loan plus accrued interest guaranteed under the program. Loop applied for and received on April 27, 2020, through a bank, \$573,500 under this program. The loan provides for an annual interest rate of 1% and a term of two years from the date the proceeds were received. Payments of principal and interest are deferred for the period up to the determination of the forgiveness amount by the SBA.

The program further provides that the payment of certain qualified expenses from the proceeds received can be eligible for loan forgiveness. The qualified payments must consist of at least 60% for payroll costs and the remaining amount up to a maximum of 40% can be used for certain non-payroll related costs such as mortgage interest, rent and utilities. The bank that issued the loan will determine how much of the loan will be forgiven based upon the information provided by the Company along with evidence of such costs. The \$573,500 has been accounted for as a liability on Loop's balance sheet as of September 30, 2020. Any amount that is forgiven will be accounted for as other income at the time the forgiveness is determined. Any amount that is not forgiven will remain on the balance sheet as a long-term liability and accrued interest. The remaining balance will be repaid with interest over the remaining term of the loan.

The CARES Act also provided that businesses affected by the Coronavirus pandemic would be eligible to apply for a loan under the Economic Injury Disaster Loan ("EIDL") Program of the SBA. However, a business can only apply for a loan under PPP or EIDL, but not both. Loop applied for an EIDL loan as well but accepted the PPP Loan and therefore was no longer eligible to borrow under the EIDL Program. However, as part of the EIDL loan application process, Loop was able to request a \$10,000 grant from the EIDL Program. The grant does not have to be repaid as a result of not getting the EIDL. However, the \$10,000 grant will be reduced against the amount of the PPP loan qualifying to be forgiven. The \$10,000 EIDL grant has been recognized as other income in the accompanying financial statements.

NOTE 10 – CONVERTIBLE NOTES PAYABLE

Convertible debentures, related party \$3,000,000, amended October 23, 2020.

	September 30, 2020	December 31, 2019
Convertible Debentures issued to related parties, amended October 23, 2020, interest at 10% per annum, unpaid interest accrued at 18% per annum through October 23, 2020 amounting to \$179,803 was paid by making a cash payment of \$97,979 and increasing the principal amount of the convertible note by \$81,824 on the date of this agreement, beginning November 1, 2020.		
Monthly payments of unpaid interest accrued at 12.5% per annum will be paid in arrears through March 31, 2021, beginning April 1, 2021, the Company will pay equal monthly installments of principal and interest at 10% per annum through December 1, 2023.	\$ 3,000,000	\$ 3,000,000
Accrued interest rolled into the related party note above.	150,411	—
Convertible Debenture issued to a founder and former officer of the Company in conjunction with redemption of 20,000,000 shares of common stock, interest at 10% per annum, amended terms as of October 22, 2020 provide that the unpaid interest accrued through May 31, 2020 of \$43,011 plus principal of \$29,324 and interest of \$11,490 that were due under the original agreement (described below) beginning June 1, 2020 to October 1, 2020 was paid on October 22, 2020.		
The November 1, 2020 payment will be deferred until December 1, 2020 while the terms of the conversion are discussed further. If the convertible note is not converted into the Company's common stock by November 30, 2020, then the terms of the original note will resume on December 1, 2020, if agreement is reached to convert by November 30, 2020, the remaining balance of the convertible debenture amounting to \$257,676 will convert to 429,460 shares of the Company's common stock. This \$287,000 convertible debenture is secured by 5,000,000 shares of the Company's common stock which are owned by the Company's President.	287,000	287,000
Secured ⁽¹⁾ convertible debenture, interest at 11% per annum; accrued monthly and the outstanding principal and unpaid accrued interest is due January 8, 2021	326,143	326,143
Convertible debentures payable	\$ 3,763,554	\$ 3,613,143
Debt discount associated with Convertible payables	(1,930,374)	(2,385,189)
Total convertible debentures payable	<u>\$ 1,833,180</u>	<u>\$ 1,227,954</u>

(1) Secured by primary interest in all assets of both Loop and ScreenPlay.

Maturity analysis under these convertible agreements are as follows:

Three months ending December 31, 2020	\$ 287,000
2021	1,030,432
2022	1,148,108
2023	1,298,014
Convertible debentures payable	3,763,554
Less: Debt Discount on Convertible debentures payable	(1,930,374)
Total Convertible debentures payable	<u>\$ 1,833,180</u>

Convertible debentures – related party \$3,000,000, December 12, 2018

Original terms

On December 12, 2018, the Company issued \$3,000,000 in convertible debentures, which have a maturity date of December 1, 2023 (the “Maturity Date”). The debentures accrue interest monthly at a rate of 10% per annum, simple interest. Accrued unpaid interest became payable monthly beginning February 1, 2019 through May 1, 2020. Any accrued unpaid interest outstanding at May 1, 2020 could be converted into shares or added to the face amount of the loan. Beginning June 1, 2020 through January 1, 2021 the Company will make monthly installment of interest only payments. Beginning January 1, 2021, the Company will make monthly installment of principal and interest through December 1, 2023. At the option of the debenture holders, the debentures are convertible at any time prior to the Maturity Date in whole or in parts into common shares of the Company at a price of \$0.60 per common share.

The convertible debentures also provide that should the Company receive not less than \$6,000,000 from the sale of its securities, it must either, at the discretion of the holders, make a \$750,000 principal payment plus the balance of any accrued unpaid interest or convert that amount into the Company’s common stock. If the Company receives not less than \$12,000,000 from the sale of its securities, the entire outstanding principal balance plus any accrued and unpaid interest must be either paid or converted in common stock.

In connection with the issuance of the convertible debentures, the Company issued 27,032,208 common share purchase warrants, with each warrant exercisable at \$0.001 for a period of 10 years. The Company evaluated the warrants in accordance with ASC *Topic No. 815 – 40, Derivatives and Hedging – Contracts in Entity’s Own Stock* and determined that the underlying common stock is indexed to the Company’s common stock. The Company determined that the warrants did not meet the definition of a liability and therefore did not account for them as a separate derivative liability.

The allocation of the \$3,000,000 in gross proceeds from issuance of convertible debentures based on the relative fair values resulted in an allocation of \$2,387,687 to the warrants and \$612,313 to the convertible debentures. The relative fair value of the warrants above was determined on the date of grant using the Black Scholes option-pricing model with the following parameters: (1) risk free interest rate of 2.00%; (2) expected life in years of 10.0; (3) expected stock volatility of 45.0%; and (4) expected dividend yield of 0%. In addition, because the effective conversion rate based on the \$612,313 allocated to the convertible debentures was \$0.08 per share which was less than the fair value of the Company’s stock price on the date of issuance, a beneficial conversion feature was present at the issuance date.

The beneficial conversion feature totaled \$612,313 and was recorded as a debt discount. The Company also recorded the allocated fair value of the warrants \$2,387,687 as additional debt discount. The total initial unamortized debt discount was \$3,000,000 and is amortized to interest expense using effective interest method over the life of the convertible debentures.

For the nine months ended September 30, 2020 and September 30, 2019, the amortized debt discount recorded as interest expenses was \$450,164 and \$448,521, respectively.

Settlement – October 31, 2019

The Company was not able to make the payments required under the terms of the convertible debentures and the holders filed suit on July 11, 2019. The convertible debenture holders and the Company entered into a settlement agreement on October 31, 2019, and the lawsuit was dismissed as of October 31, 2019.

Pursuant to the settlement agreement the payment terms for the convertible debentures were amended to provide for interest to be accrued from November 1, 2019 through April 2020 and at the sole discretion of the note holder to be paid either by common stock of the Company or added to the balance of the loan. The note holders elected to add the accrued interest to the balance of the loan. It further provided that beginning June 1, 2020, monthly payments of unpaid accrued interest will be made through December 2020 and beginning January 1, 2021, the Company will pay equal monthly installments of principal and interest through December 1, 2023 and any unpaid principal and interest outstanding will be immediately due and payable on December 1, 2023.

Also as part of the settlement agreement, the Company (i) issued 67,690 shares of Class B common stock to the convertible debenture holders for \$30,000 cash; and (ii) issued 56,408 Class B common shares valued at \$25,000 to the convertible debenture holders for the forgiveness of \$5,221 in liabilities owed by the Company, which resulted in a loss on settlement of obligations of \$19,779 during the year ended December 31, 2019.

In addition, the settlement agreement further provided that the Company would be released from any liability for accrued unpaid interest and other convertible debentures costs from the date of the convertible debentures to the date of the settlement agreement. The Company was relieved of \$192,557 of accrued interest as of October 31, 2019 and recorded a gain on settlement of obligations during the year ended December 31, 2019.

Additionally, the settlement agreement provided that the Company would merge the Class A common stock and Class B common stock into one class of common stock. On December 5, 2019, the Company merged Class A and Class B common stock.

On October 31, 2019, as part of the above mentioned settlement agreement, the Company issued 27,032,208 Class B common shares upon the exercise of warrants, with an exercise price of \$0.001 per share, for a total value of \$27,032. The exercise price was applied against the balance of accrued interest on the convertible debentures.

Second Amendment of terms

Subsequent to September 30, 2020, the Company did not make all of the payments due under the convertible loan agreement with the related party and entered into a second amendment of this convertible loan on October 23, 2020. The second amendment provides for payment to be made for the unpaid interest accrued at 18% per annum (default rate) through October 23, 2020 amounting to \$179,803 by making a cash payment of \$97,979 and increasing the principal amount of the convertible note by \$81,824.

The second amendment further provides that beginning November 1, 2020, monthly payments of unpaid interest accrued at 12.5% per annum will be paid in arrears through March 31, 2021, beginning April 1, 2021, the Company will pay equal monthly installments of principal and interest computed at 10% per annum through December 1, 2023. The Company will account for this amendment to the note under ASC 470-50-40-10 as a debt extinguishment due to the present value of the cash flows under the new amendment terms is at least 10% different from the present value of the remaining cash flows of the current terms.

The following table presents the components of the convertible debenture as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Short term portion	\$ 523,809	\$ —
Long term portion	2,626,602	3,000,000
	<u>3,150,411</u>	<u>3,000,000</u>
Less: unamortized debt discount	(1,910,734)	(2,360,898)
Balance, net	<u>\$ 1,239,677</u>	<u>\$ 639,102</u>

Convertible debentures - \$287,000, December 1, 2018

Original terms

On December 1, 2018, the Company entered into a redemption agreement with one of the former officers to repurchase 20,000,000 shares of Class A common stock. The terms of this agreement required that the Company issue a convertible debenture to this shareholder in the amount of \$287,000 and pay the amount of accrued expenses owed to him of \$134,000 in four quarterly payments beginning October 1, 2019. The first two quarterly payments totaled \$67,000 were paid in January 2020 but the remaining \$67,000 has not been paid. The convertible debenture originally provided for interest at 10% per annum, interest to accrue through September 1, 2019, beginning October 1, 2019 monthly payments of unpaid accrued interest will be made through May 1, 2020, beginning June 1, 2020, the Company will pay equal monthly installments of principal and interest through December 1, 2023.

At the option of the debenture holder, the debenture shall be convertible at any time prior to December 1, 2023 in whole or in parts into common shares of the Company at a price of \$0.60 per common share. As the effective conversion rate based on the principal \$287,000 was \$0.60 per share which was less than the fair value of the Company's stock price on the date of issuance, a beneficial conversion feature was present at the issuance date. The beneficial conversion feature totaled \$30,996 and was recorded as a debt discount.

The discount is amortized to interest expense using effective interest method over the life of the convertible debentures. For the nine months ended September 30, 2020 and September 30, 2019, the amortized debt discount recorded as interest expenses was \$4,651 and \$4,634, respectively.

First Amendment of terms

The Company did not make all of the payments due under the convertible loan agreement entered into with a founder and former officer of the Company and entered into a second agreement to modify the payment terms on October 22, 2020. At the date of this amendment, the Company owed unpaid accrued interest through May 31, 2020 amounting to \$43,011 and unpaid principal and interest payments from June 1, 2020 to October 1, 2020 in the amount of \$40,814 for a total of \$83,825. In an effort to remove the default, the Company amended the terms of the convertible note on October 22, 2020 to provide for the unpaid interest accrued through May 31, 2020 plus the unpaid principal and interest payments from June 1, 2020 to October 1, 2020 amounting to \$83,825 to be paid on the date of this agreement.

In addition, the amendment required that the Company pay on October 22, 2020, \$28,587 of the outstanding balance of accrued expenses due to the founder and former officer in the amount of \$67,000 for a total payment of \$112,412. The amendment further provides that the remaining balance of the \$67,000 owed or \$38,412 would be paid on March 31, 2021. Additionally, the amendment provides that the November 1, 2020 payment will be deferred to December 1, 2020 while the terms of the conversion are discussed further. If the convertible note is not converted into the Company's common stock by November 30, 2020, then the terms of the original note will resume on December 1, 2020. If the convertible note of the founder and former officer is converted by November 30, 2020, the balance of \$257,676 will convert into 429,460 shares of the Company's stock based upon an conversion price of \$0.60.

The following table presents the components of the convertible debenture as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Short term portion	\$ 287,000	\$ —
Long term portion	—	287,000
Less: Unamortized debt discount	(19,640)	(24,291)
Balance, Net	\$ 267,360	\$ 262,709

Convertible debentures - \$326,143, July 12, 2019

Original terms

On July 12, 2019, the Company entered into a loan agreement with a lender for a loan amount up to \$200,000. The loan provided an interest rate of 10% accrued monthly with principal and accrued unpaid interest due on January 8, 2021. The loan required the Company to pay a loan fee of 2% (\$4,000) upon execution. The loan provides for a prepayment penalty of 4% of the amount prepaid plus all interest accrued to the date of the prepayment. The loan was secured by a primary interest in all assets of both Loop and ScreenPlay.

Amendment 1

By August 20, 2019, the amount borrowed under the \$200,000 loan agreement amounted to \$252,473 and the loan agreement was amended to provide for an increase in the maximum loan amount to \$400,000.

In addition, the loan was restructured as a convertible debenture. At the option of the debenture holder, the debenture is convertible at any time prior to the maturity date in whole or in parts into Class A common shares of the Company. The conversion price was deemed to be the lesser of \$0.40 per common share or the offering price paid by unaffiliated investors for one share of the current merger target's common stock, no par value under a planned private offering of such securities by the current merger target in connection with the proposed merger transaction with the Company. The proposed merger with merger target failed to close so the conversion price was deemed to be \$0.40 per common share.

The Company evaluated the embedded conversion feature in accordance with ASC Topic No. 815 – 40, Derivatives and Hedging – Contracts in Entity's Own Stock and determined that the underlying common stock is indexed to the Company's common stock. The Company determined that the embedded conversion feature did not meet the definition of a liability and therefore did not account for it as a separate derivative liability. The embedded conversion feature was fair valued at \$146,678 using the Black Scholes Method and recorded as loss on extinguishment of debt and offset to additional paid-in capital. The Company also charged the additional loan fees of \$6,473 to loss on extinguishment of debt.

The Company evaluated the embedded conversion feature as the effective conversion rate based on the principal \$252,473 was \$0.40 per share which was less than the fair value of the Company's stock price on the date of issuance and determined that a beneficial conversion feature was present at the issuance date. The beneficial conversion feature totaled \$29,967 and was recorded as a debt discount and offset to additional paid-in capital.

The amendment also provided that at the lender's request, the Company will issue one share of its Class A common stock for every dollar loaned. The total amount borrowed under this loan as of December 31, 2019 is \$326,143, the Company recorded the obligation to issue 326,143 Class A common shares with a value of \$135,144 as Class A common stock subscribed but not yet issued and debt discount.

Amendment 2 – November 26, 2019

The Company changed its merger target to Interlink Plus, Inc. (Interlink). On November 26, 2019, the \$400,000 convertible loan agreement was amended again to change the conversion price to the lesser of \$0.25 per common share or the offering price paid by unaffiliated investors for one share of Interlink common stock.

As of November 26, 2019, the amortized debt discount recorded as interest expense was \$23,448, and upon execution of Amendment 2, the Company wrote off the remaining unamortized debt discount of \$141,663 as loss on extinguishment of debt.

Upon execution of Amendment 2, a new embedded conversion feature was re-calculated as \$110,281 which was charged to additional-paid-in-capital. The difference between the embedded conversion feature calculated in Amendment 1 of \$146,678 and the recalculated amount of \$110,281 or \$36,397 was offset against loss on extinguishment of debt.

The following table presents the components of the convertible debenture as of September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Short term portion	\$ 326,143	\$ —
Long term portion	—	326,143
Balance, net	<u>\$ 326,143</u>	<u>\$ 326,143</u>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. There are no such loss contingencies that are included in the financial statements as of September 30, 2020.

The Company entered into a Framework Digital Distribution Agreement with Sony Music Entertainment (SME) to digitally distribute audio-visual musical recordings that they own or control in agreed forms via certain approved distribution channels (See Note 15). The agreement also requires that the Company pay SME a non-refundable advance recoupable solely during the term of this agreement against all service fees payable to SME in connection with access to the SME content for the service territory. The non-refundable amounts require payments of \$227,000 in October 2020, April 2021 and October 2021. The \$227,000 payment required in October 2020 was paid and recorded as a deposit.

NOTE 12 – RELATED PARTY TRANSACTIONS

Related parties are natural persons or other entities that have the ability, directly or indirectly, to control another party or exercise significant influence over the party making financial and operating decisions. Related parties include other parties that are subject to common control or that are subject to common significant influences.

The Company has borrowed funds for business operations from certain shareholders through convertible debt agreements and has remaining balances, including accrued interest amounting to \$3,228,538 and \$3,050,137 as of September 30, 2020 and December 31, 2019, respectively. The Company incurred interest expense for these convertible notes in the amounts of \$232,332 and \$79,408 for the nine months and three months ended September 30, 2020, respectively. The Company also incurred interest expense for these convertible notes in the amounts of \$221,918 and \$75,616 for the nine months and three months ended September 30, 2019, respectively.

One of the above shareholders and convertible note holders also assumed the Company's corporate apartment lease at the beginning of 2020 for their own personal use. The Company wrote off the remaining balance of the right of use asset and lease liability, both amounting to \$20,825.

As part of the reverse merger with Interlink Plus, Inc. on February 5, 2020, the Company assumed a \$180,000 debt to Interlink's controlling shareholder to whom the Company was also indebted in the amount of \$1,000,000. The Company issued 200,000 shares of its Series B convertible preferred stock in exchange for (i) \$1,000,000 in cash and (ii) the exchange of the \$1,000,000 loan plus accrued interest of \$6,594. The fair value of the common stock into which the Series B convertible preferred stock is convertible was \$9,600,000 on the date of issuance. The Company applied the guidance in ASC 470-20.

The allocated fair value of the Series B convertible preferred stock exceeded the \$1,000,000 cash proceeds by \$3,800,000 which was recorded by the Company as a deemed dividend.

The Company recognized an inducement expense equal to the excess of the allocated fair value of the Series B Convertible preferred stock and the carrying value of the loan payable as of the date the inducement offers were accepted. The excess of the fair value of the Series B Convertible preferred stock over the carrying value of the loan payable was \$3,793,406 which amount was included as an inducement expense in the statement of operations for the nine months ended September 30, 2020.

The \$180,000 debt plus accrued interest of \$5,563 was retired as a part of the issuance to him of 2,666,667 warrants to purchase the Company's common stock. The warrants were recorded at their fair value (see Note 14). Because the transaction was a related party any gain or loss is recorded and reported as a change to additional paid in capital (the effects of the transaction do not affect the Consolidated Statements of Operations).

The Company incurred interest expense for these notes in the amounts of \$6,721 and \$0 for the nine months and three months ended September 30, 2020, respectively. The Company did not incur any interest expense for these notes for the nine months and three months ended September 30, 2019, respectively.

NOTE 13 – STOCKHOLDERS' EQUITY (DEFICIT)

Convertible Preferred Stock

The Company is authorized to issue 16,666,667 shares of its \$0.0001 par value preferred stock. As of September 30, 2020, and December 31, 2019, the Company had 30,667 and 0 shares of Series A convertible preferred stock issued and outstanding, respectively. As of September 30, 2020, and December 31, 2019, the Company had 200,000 and 0 shares of Series B convertible preferred stock issued and outstanding, respectively.

The Series A convertible preferred stock have a liquidation preference of \$0.10 per share, have super voting rights of 100 votes per share, and each share of Series A may be converted into 100 shares of common stock.

On January 31, 2020, the Company filed a certificate of designation with the Nevada Secretary of State and designated 3,333,334 shares of Series B Convertible Preferred Stock. The terms of the Series B Convertible Preferred Stock are substantially similar to those of the Series A Convertible Preferred Stock, except that in the event of the liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of the Series B Convertible Preferred Stock then outstanding shall be entitled to receive, out of the assets of the Company available for distribution to its stockholders, an amount equal to \$1.00 per share of Series B Convertible Preferred Stock before any payment shall be made or any assets distributed to the holders of common stock or Series A Convertible Preferred Stock.

The Series B Convertible Preferred Stock is convertible at any time at the discretion of the holder thereof into shares of common stock at a conversion rate of one hundred (100) shares of common stock for every one (1) share of Series B Convertible Preferred Stock. Furthermore, the holders of Series B Convertible Preferred Stock have the right to cast one hundred (100) votes for each one (1) share of Series B Convertible Preferred Stock held of record on all matters submitted to a vote of holders of the common stock, including the election of directors, and all other matters as required by law.

The Company evaluated the features of the Convertible Preferred Stock under ASC 480, and classified them as permanent because the Convertible Preferred stock is not mandatorily or contingently redeemable at the shareholder's option and the liquidation preference that exists does not fall within the guidance of SEC Accounting Series Release No. 268 – *Presentation in Financial Statements of "Redeemable Preferred Stocks"* ("ASR 268").

Change in Number of Authorized and Outstanding Shares

On June 8, 2020, a 1 for 1.5 reverse stock split of the Company's common stock became effective. All share and per share information in the accompanying unaudited condensed consolidated financial statements and footnotes has been retroactively adjusted for the effects of the reverse split for all periods presented.

Common stock

The Company is authorized to issue 316,666,667 shares of its \$0.0001 par value common stock. As of September 30, 2020 and December 31, 2019, there were 114,320,911 and 101,882,647, respectively, shares of common stock issued and outstanding.

Nine months ended September 30, 2019

During the nine months ended September 30, 2019, the Company issued an aggregate of 2,800,000 Class B Shares with a value of \$1,890,000 which was reserved for issuance as a common stock subscribed at December 31, 2018. These were issued for consulting services received during the year ended December 31, 2018.

During the nine months ended September 30, 2019, the Company issued an aggregate of 37,605 Class A common shares in satisfaction of common stock subscribed of \$25,000.

During the nine months ended September 30, 2019, the Company issued 1,866,667 Class B Shares with a value of \$1,240,960 in connection with a settlement with former employees upon the termination of their employment contracts.

During the nine months ended September 30, 2019, the Company as part of settlement agreement (see Note 10) issued 45,127 shares of Class B common shares to the note holders for \$30,000 cash and issued 37,605 Class B common shares valued at \$25,000 to the note holders for the forgiveness of \$5,221 in liabilities owed by the Company, which resulted in a loss on settlement of obligations of \$19,779

During the nine months ended September 30, 2019, the Company issued an aggregate of 260,782 Class A common shares in satisfaction of \$67,000 of common stock subscribed and additional proceeds of \$59,990.

During the nine months ended September 30, 2019, the Company reserved 277,473 Class A shares as common stock subscribed with a value of \$122,976.

Nine months ended September 30, 2020

During the nine months ended September 30, 2020, the Company issued an aggregate of 3,176,000 shares of its common stock for proceeds of \$3,060,000.

During the nine months ended September 30, 2020, the Company issued 93,333 shares of its common stock in satisfaction of a common stock subscription of \$35,000.

During the nine months ended September 30, 2020, the Company issued 4,000,000 shares of its common stock for consulting services valued at \$1,500,000.

During the nine months ended September 30, 2020, the Company issued 5,168,931 shares of its common stock and 30,667 shares of Preferred A shares as part of the merger with Interlink. The Company also assumed debt to a related party of \$180,000 and accrued interest of \$3,842 and charged \$80,134 of legal expenses related to reverse merger charged to additional paid in capital.

During the nine months ended September 30, 2020, the Company issued 200,000 shares of its Series B convertible preferred stock in exchange for (i) \$1,000,000 in cash and (ii) loan and accrued interest forgiveness of \$1,006,594. The fair value of the common stock into which the Series B convertible preferred stock is convertible was \$9,600,000 on the date of issuance. The Company applied the guidance in ASC 470-20.

The allocated fair value of the Series B convertible preferred stock exceeded the \$1,000,000 cash proceeds by \$3,800,000 which was recorded by the Company as a deemed dividend.

During the nine months ended September 30, 2020, the Company received \$20,000 for common stock subscribed of 53,333 shares.

NOTE 14 – STOCK OPTIONS AND WARRANTS

Options

Option valuation models require the input of highly subjective assumptions. The fair value of stock-based payment awards was estimated using the Black-Scholes option model with a volatility figure derived from using the Company's historical stock prices. The Company accounts for the expected life of options based on the contractual life of options for non-employees. For employees, the Company accounts for the expected life of options in accordance with the "simplified" method, which is used for "plain-vanilla" options, as defined in the accounting standards codification. The risk-free interest rate was determined from the implied yields of U.S. Treasury zero-coupon bonds with a remaining life consistent with the expected term of the options.

The following table summarizes the stock option activity for the nine months ended September 30, 2020:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2019	5,812,307	\$ 0.70	8.41	\$ 7,564,559
Grants	2,500,000	0.89	9.96	2,775,000
Exercised	—	—	—	—
Expired	—	—	—	—
Forfeited	—	—	—	—
Outstanding at September 30, 2020	<u>8,312,307</u>	\$ 0.76	8.28	\$ 10,339,559
Exercisable at September 30, 2020	<u>6,438,307</u>	\$ 0.72	7.86	\$ 8,259,419

The aggregate intrinsic value in the preceding tables represents the total pretax intrinsic value, based on options with an exercise price less than the Company's stock price of \$2.00 as of September 30, 2020, which would have been received by the option holders had those option holders exercised their options as of that date.

The following table presents information related to stock options at September 30, 2020:

Options Outstanding			
Exercise Price	Number of Options	Weighted Average Remaining Life In Years	Options Exercisable Number of Options
\$0.86	1,148,372	5.87	1,148,372
0.66	4,663,935	7.14	4,663,935
0.89	2,500,000	9.71	626,000
Total	<u>8,312,307</u>	8.28	<u>6,438,307</u>

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. During the nine months ended September 30, 2020, the Company issued 2,500,000 options valued at \$0.3645 per option. The Company recorded stock based compensation of \$316,033 for the above options.

The Company calculated the fair value of options issued using the Black-Scholes option pricing model, with the following assumptions:

<u>September 30, 2020</u>	
Weighted average fair value of options granted	\$0.3645
Expected life	5.15 – 5.75 years
Risk-free interest rate	0.33 - 0.44%
Expected volatility	44.69 – 45.32%
Expected dividends yield	0%
Forfeiture rate	0%

The stock-based compensation expense related to option grants was \$144,235 and \$0, respectively for the three months ended September 30, 2020 and 2019, and \$316,033 and \$55,796, for the nine months ended September 30, 2020 and 2019, respectively.

Warrants

The following table summarizes the changes in warrants outstanding and the related prices for the shares of the Company's common stock:

<u>Warrants Outstanding</u>				<u>Warrants Exercisable</u>							
<u>Exercise Prices</u>		<u>Number Outstanding</u>		<u>Weighted Average Remaining Contractual Life (Years)</u>		<u>Weighted Average Exercise Price</u>		<u>Number Exercisable</u>		<u>Weighted Average Remaining Contractual Life (Years)</u>	
\$	0.86	5,550,709	6.26	\$	0.86	5,550,709	6.26				
\$	0.75	2,666,667	9.45	\$	0.75	2,666,667	9.45				

The following table summarizes the warrant activity for the three months ended September 30, 2020:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price Per Share</u>
Outstanding at December 31, 2019	5,550,709	\$ 0.86
Issued	2,666,667	0.75
Exercised	—	—
Expired	—	—
Outstanding at September 30, 2020	<u>8,217,376</u>	<u>\$ 0.82</u>

During first quarter 2020, the Company assumed a related party note of \$180,000 and associated accrued interest of \$3,842 as part of the reverse merger with Interlink. On March 11, 2020, the Company issued 2,666,667 warrants valued at \$702,219 to retire the \$180,000 debt and \$5,563 of accrued liabilities.

The Company calculated the fair value of warrants issued using the Black-Scholes option pricing model, with the following assumptions:

	<u>September 30, 2020</u>
Weighted average fair value of warrants granted	\$0.2633
Expected life	10 years
Risk-free interest rate	0.82%
Expected volatility	48.46%
Expected dividends yield	0%
Forfeiture rate	0%

NOTE 15 – DISTRIBUTION AGREEMENT

On April 16, 2020, the Company entered into a Framework Digital Distribution Agreement with Sony Music Entertainment (“SME”) (See Note 11) to digitally distribute audio-visual musical recordings that it owns or controls in agreed forms to consumers via certain approved distribution channels. This agreement requires Loop to pay royalties and make minimum guaranteed payments, or advances, and includes marketing commitments, advertising inventory, and financial and data reporting obligations. Rights to sound recordings granted pursuant to this agreement are expected to account for a significant part of its streams in the foreseeable future. This license agreement has a duration of two years, is not automatically renewable, and applies to the United States, Canada, and certain Latin American countries. The license agreement also allows for the record label to terminate the agreement in certain circumstances, including, Loop’s failure to timely pay sums due within a certain period, a breach of material terms, and in some situations which could constitute a “change of control” of Loop. This agreement provides that SME has the right to audit Loop for compliance with the terms of the agreement. Further, it contains a “most favored nation” provision, which requires that certain material contract terms be at least as favorable as the terms agreed to or will agree with any other record label. Future minimum guarantee payments are material and represent a significant portion of the Company’s contractual obligations and commercial commitments.

NOTE 16 – SUBSEQUENT EVENTS

COVID 19

The spread of a novel strain of coronavirus (COVID-19) around the world in the first half of 2020 has caused significant volatility in U.S. and international markets. The Company experienced a 17% decline in revenues in the nine months ended September 30, 2020 as compared to the nine months ended September 30, 2019, which was directly related to business closures of key customers.

Share Purchase Agreement

The Company entered into a Share Purchase Agreement dated August 1, 2020 for the private offer to a limited number of accredited investors of up to \$6,500,000 worth of restricted shares of common stock of the Company at an issue price of \$1.25 per share. The offer is ongoing and will remain open until October 31, 2020, unless earlier terminated or extended for an additional thirty (30) days in the sole discretion of the Company. The Shares are subject to restriction on resales until that date that is 365 days following the relevant closing date for any individual investor. As of October 31, 2020, the Company had raised an aggregate of \$3,450,000 and issued 2,760,000 shares under the Share Purchase Agreement.

Acquisition

On October 13, 2020, the Company acquired from SPKR INC., a Delaware corporation (“Seller”), the Seller’s Website and Internet Domain Name, Spkr.com (the “Website”) and a mobile application Seller developed (the “App”), available in the Apple Inc. IOS Store as Spkr: Curated Podcast Radio, and related assets (the Website, the App and all other assets associated with Seller's audio network business that were acquired, the “Acquired Assets”) pursuant to an Asset Acquisition Agreement dated the same date (the “Purchase Agreement”) entered into by and between the Company, Seller and PTK Investments, LLC, a Delaware limited liability company (dba PTK Capital), in its capacity as the Seller representative under the Purchase Agreement (the “Acquisition”).

The purchase price for the Acquired Assets consisted of consideration of 1,369,863 shares of the Company’s common stock, par value \$0.0001 per share, (the “Shares”) valued at \$3,000,000. The Shares were issued to the Seller on October 13, 2020. The Shares are subject to restriction on resales until that date that is one year following the closing of the Acquisition, or, if sooner, the date that is 90 days after the Company’s securities begin trading on the NASDAQ which is binding on any holder receiving any of the Shares from Seller.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

STATEMENT ON FORWARD-LOOKING INFORMATION

This report on Form 10-Q contains certain forward-looking statements. All statements other than statements of historical fact are "forward-looking statements" for purposes of these provisions, including any projections of earnings, revenues, or other financial items; any statements of the plans, strategies, and objectives of management for future operations; any statements concerning proposed new products, services, or developments; any statements regarding future economic conditions or performance; statements of belief; and any statement of assumptions underlying any of the foregoing. Such forward-looking statements are subject to inherent risks and uncertainties, and actual results could differ materially from those anticipated by the forward-looking statements.

These forward-looking statements involve significant risks and uncertainties, including, but not limited to, the following: competition, promotional costs and risk of declining revenues. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of a number of factors. These forward-looking statements are made as of the date of this filing, and we assume no obligation to update such forward-looking statements. The following discusses our financial condition and results of operations based upon our financial statements which have been prepared in conformity with accounting principles generally accepted in the United States of America. It should be read in conjunction with our financial statements and the notes thereto included elsewhere herein.

The following discussion and analysis provides information which our management believes to be relevant to an assessment and understanding of our results of operations and financial condition. The discussion should be read together with our financial statements and the notes to the financial statements, which are included in this report.

Overview

Loop Media, Inc. (f/k/a Interlink Plus, Inc.) (the "Company") is a Nevada corporation. The Company was incorporated under the laws of the State of Nevada on May 11, 2015. On February 5, 2020, the Company and the Company's wholly owned subsidiary, Loop Media Acquisition, Inc. ("Merger Sub"), a Delaware corporation, closed the Agreement and Plan of Merger (the "Merger Agreement") with Loop Media, Inc. ("Loop"), a Delaware corporation. Pursuant to the Merger Agreement, Merger Sub merged with and into Loop with Loop as surviving entity and becoming a wholly-owned subsidiary of the Company (the "Merger").

Pursuant to the Merger Agreement, the Company acquired 100% of the outstanding shares of Loop in exchange for 152,823,970 (this number of shares is the pre-stock split number; the post stock split number would be 101,882,647 shares) of the Company's common stock at an exchange ratio of 1:1. Loop was incorporated on May 18, 2016 under the laws of the State of Delaware. As a result of such acquisition, the Company's operations now are focused on premium short-form video for businesses and consumers.

In connection with the Merger, on February 6, 2020, the Company entered into a Purchase Agreement (the "Asset Purchase Agreement") with Zixiao Chen ("Buyer") for the purchase of assets relating to the Company's two major business segments: travel agency assistance services and convention services (together, the "Business"). In consideration for the assets of the Business, Buyer transferred to the Company 2,000,000 shares of its common stock and agreed to assume and discharge any and all liabilities relating to the Business accruing up to the effective time of the Asset Purchase Agreement. The Shares will be retired and restored to the status of authorized and unissued shares.

Loop owns 100% of the capital stock of ScreenPlay. ScreenPlay is a combination of ScreenPlay, Inc. ("SPI"), a Washington corporation incorporated in 1991, and SPE, Inc. ("SPE"), a Washington corporation incorporated in 2008. ScreenPlay provides customized audiovisual environments that support integrated brand strategies for clients in the retail, hospitality, and business services markets, and for online content providers.

For accounting purposes, Loop was the surviving entity. The transaction was accounted for as a recapitalization of Loop pursuant to which Loop was treated as the accounting acquirer, surviving and continuing entity although the Company is the legal acquirer. The Company did not recognize goodwill or any intangible assets in connection with the Merger. Accordingly, the Company's historical financial statements are those of Loop and its wholly-owned subsidiary, ScreenPlay, immediately following the consummation of this reverse merger transaction.

On June 8, 2020, a 1 for 1.5 reverse stock split of the Company's common stock became effective. All share and per share information in the accompanying unaudited condensed consolidated financial statements and footnotes has been retroactively adjusted for the effects of the reverse split for all periods presented.

Off Balance sheet arrangements

We have no off balance sheet arrangements.

Recent Developments

COVID 19 disease

The spread of COVID-19 around the world is affecting the United States and global economies and may affect our operations and those of third parties on which we rely, including by causing disruptions in staffing, order fulfillment and demand for product. In addition, the COVID-19 pandemic may affect our revenue significantly. Additionally, while the potential economic impact brought by, and the duration of the COVID-19 pandemic is difficult to assess or predict, the impact of the COVID-19 pandemic on the global financial markets may reduce our ability to access capital, which could negatively impact our short-term and long-term liquidity. The ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change.

The Company has been significantly impacted by Covid-19 through the nine months ended September 30, 2020 and continued through October 31, 2020, which was directly related to business closures of key customers. We have implemented certain mitigation measures such as salary reductions from March 2020 through October 15, 2020 and other cost cutting activities.

As COVID-19 continues to evolve, the extent to which the coronavirus impacts operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions that may be required to contain the coronavirus or treat its impact. The Company continues to monitor the pandemic and particular, the extent to which the continued spread of the virus adversely affects our customer base and therefore revenue. As the COVID-19 pandemic is complex and rapidly evolving, the Company's plans as described above may change. At this point, the Company cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on the business, results of operations, financial position and cash flows.

First Amendment of terms of the convertible denture from a founder and former officer

The Company amended the terms of the convertible note on October 22, 2020 to provide for the unpaid interest accrued through May 31, 2020 plus the unpaid principal and interest payments from June 1, 2020 to October 1, 2020 amounting to \$83,825 to be paid on the date of this agreement. In addition, the amendment required that the Company pay on October 22, 2020, \$28,587 of the outstanding balance of accrued expenses due to the founder and former officer in the amount of \$67,000 for a total payment of \$112,412. The \$112,412 was paid on October 22, 2020. The amendment further provides that the remaining balance of the \$67,000 owed or \$38,412 would be paid on March 31, 2021.

Additionally, the amendment provides that the November 1, 2020 payment will be deferred to December 1, 2020 while the terms of the conversion are discussed further. If the convertible note is not converted into the Company's common stock by November 30, 2020, then the terms of the original note will resume on December 1, 2020. If the convertible note of the founder and former officer is converted by November 30, 2020, the balance of \$257,676 will convert into 429,460 shares of the Company's stock based upon an exercise price of \$0.60.

Second Amendment of terms of Convertible debentures with related parties

The Company entered into a second amendment of the convertible note on October 23, 2020. The second amendment provides for payment to be made for the unpaid interest accrued at 18% per annum (default rate) through October 23, 2020 amounting to \$179,803 by making a cash payment of \$97,979 and increasing the principal amount of the convertible note by \$81,824. The second amendment further provides that beginning November 1, 2020, monthly payments of unpaid interest accrued at 12.5% per annum will be paid in arrears through March 31, 2021; beginning April 1, 2021, the Company will pay equal monthly installments of principal and interest computed at 10% per annum through December 1, 2023.

Share Purchase Agreement

The Company entered into a Share Purchase Agreement dated August 1, 2020 for the private offer to a limited number of accredited investors of up to \$6,500,000 worth of restricted shares of common stock of the Company at an issue price of \$1.25 per share. The offer is ongoing and will remain open until October 31, 2020, unless earlier terminated or extended for an additional thirty (30) days in the sole discretion of the Company. The Shares are subject to restriction on resales until that date that is 365 days following the relevant closing date for any individual investor. As of November 12, 2020, the Company had raised an aggregate of \$3,450,000 and issued 2,760,000 shares under the Share Purchase Agreement.

Acquisition

On October 13, 2020, the Company acquired from SPKR INC., a Delaware corporation ("Seller"), the Seller's website and internet domain name, "Spkr.com" (the "Website") and a mobile application Seller developed (the "App"), available in the Apple Inc. IOS Store as "Spkr: Curated Podcast Radio", and related assets (the Website, the App and all other assets associated with Seller's audio network business that were acquired, the "Acquired Assets") pursuant to an Asset Acquisition Agreement dated the same date (the "Purchase Agreement") entered into by and between the Company, Seller and PTK Investments, LLC, a Delaware limited liability company (dba PTK Capital), in its capacity as the Seller representative under the Purchase Agreement (the "Acquisition"). The purchase price for the Acquired Assets consisted of consideration of 1,369,863 shares of the Company's common stock, par value \$0.0001 per share, (the "Shares") valued at \$3,000,000. The shares were issued to the Seller on October 13, 2020. The shares are subject to restriction on resales until that date that is one year following the closing of the Acquisition, or, if sooner, the date that is 90 days after the Company's securities begin trading on the NASDAQ and which is binding on any holder receiving any of the shares from Seller.

Critical Accounting Policies and Use of Estimates

Use of Estimates and Assumptions

The preparation of the unaudited Condensed Consolidated Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include assumptions used in the fair value of stock-based compensation awards, the fair value of other equity and debt instruments, right-of-use assets ("ROU"), lease liabilities, and allowance for doubtful accounts.

Revenue Recognition

Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), became effective for the Company on January 1, 2018. The Company's revenue recognition disclosure reflects its updated accounting policies that are affected by this new standard. The Company applied the "modified retrospective" transition method for open contracts for the implementation of Topic 606. As sales are and have been primarily from delivery of streaming services, delivery of subscription content services in customized formats, and delivery of hardware and ongoing content delivery through software and the Company has no significant post-delivery obligations, this new standard did not result in a material recognition of revenue on the Company's Consolidated Financial Statements for the cumulative impact of applying this new standard. Therefore, there was no cumulative effect adjustment required.

The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer. Revenue is measured based on the consideration the Company expects to receive in exchange for those products. In instances where final acceptance of the product is specified by the customer, revenue is deferred until all acceptance criteria have been met. Revenues are recognized under Topic 606 in a manner that reasonably reflects the delivery of the Company's products and services to customers in return for expected consideration and includes the following elements:

- executed contracts with the Company's customers that it believes are legally enforceable;
- identification of performance obligations in the respective contract;
- determination of the transaction price for each performance obligation in the respective contract;
- allocation the transaction price to each performance obligation; and
- recognition of revenue only when the Company satisfies each performance obligation.

Performance Obligations and Significant Judgments

The Company's revenue streams can be categorized into the following performance obligations and recognition patterns:

- o Delivery of streaming services including content encoding and hosting. The Company recognizes revenue over the term of the service based on bandwidth usage.
- o Delivery of subscription content services in customized formats. The Company recognizes revenue over the term of the service.

- o Delivery of hardware for ongoing subscription content delivery through software. The Company recognizes revenue at the point of hardware delivery.

Transaction prices for performance obligations are explicitly outlined in relevant contractual agreements; therefore, the Company does not believe that significant judgments are required with respect to the determination of the transaction price, including any variable consideration identified.

Cost of revenue

Cost of revenue represents the cost of delivered hardware and bundled software and is recognized at the time of sale. For ongoing licensing and hosting fees, cost of sales is recognized over time based on usage patterns.

Stock Based Compensation

Share-based compensation awarded to employees is measured at the award date, based on the fair value of the award, and is recognized as an expense over the requisite vesting period. The Company measures the fair value of the share-based compensation issued to non-employees using the stock price observed in the trading market (for stock transactions) or the fair value of the award (for non-stock transactions), which were considered to be more reliably determinable measures of fair value than the value of the services being rendered. The measurement date is the earlier of (1) the date at which commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is complete.

Leases

The Company determines if an arrangement is a lease at inception. ROU assets represent the Company's right to use an underlying asset for the lease term and the lease obligations are recorded as liabilities and represent an obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit interest rate, the Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of the lease payments.

The ROU asset arrangement also consists of any prepaid lease payments and deferred rent liabilities. The lease terms used to calculate the ROU asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense. The Company has lease agreements which require payments for both lease and non-lease components and has elected to account for these as a single lease component.

Results of Operations

For the Three Months Ended September 30, 2020 compared to the Three Months Ended September 30, 2019

Three months ended September 30,	2020	2019	\$ variance	% variance
Content and streaming services	\$ 293,901	\$ 420,438	\$ (126,537)	-30%
Content subscription services	299,386	378,627	(79,241)	-21%
Hardware for ongoing subscription content	33,498	35,616	(2,118)	-6%
Total revenue	626,785	834,681	(207,896)	-25%
Cost of revenue	262,417	242,652	19,765	8%
Gross Profit	364,368	592,029	(227,661)	-38%
Operating expenses:				
Selling, general and administration	1,760,284	955,197	805,087	84%
Total Operating expenses	1,760,284	955,197	805,087	84%
Loss from Operations	(1,395,916)	(363,168)	(1,032,748)	284%
Other income (expense):				
Interest income	1,097	1,691	(594)	-35%
Interest expense	(247,153)	(220,775)	(26,378)	12%
Loss on settlement of obligations	—	(153,151)	153,151	-100%
Total Other income (expense)	(246,056)	(372,235)	126,179	-34%
Provision for income taxes	—	—	—	0%
Net loss	\$ (1,641,972)	\$ (735,403)	\$ (906,569)	123%

Revenues

The Company's revenue declined for the three months ended September 30, 2020 from 2019 by \$207,896 or 25%. The primary cause for this large of a revenue decline is the continuing effects of the coronavirus pandemic.

The revenue from content and streaming services declined by \$126,537 or 30% from 2019 amounts primarily due to the continuing effects of the coronavirus. Revenue from subscription services fell \$79,241 or 21% from 2019 levels.

Although content and streaming services have not been affected as much by the pandemic in the previous quarters, it has been affected in the third quarter. The Company's customers across the board have started reducing the services they have been previously purchasing. In addition, during the third quarter, a number of customers began requesting credits against invoices they received from the Company for services purchased in the second quarter because of the impact of the pandemic.

The decline in content subscription services revenue is because the business of the customers for these services which are bars, restaurants and to a lesser extent casinos and cruise ships also declined. In the third quarter, many of these customers were able to resume some operations, although only to a limited degree.

Hardware sales have decreased slightly from \$35,616 recognized in 2019 to \$33,498 in 2020 or 6%. This is to be expected, and will be expected in the future. The Company is transitioning from providing the streaming service on on-site PC equipment to an internet-based service.

Cost of revenue

The cost of revenue also increased by 8% in the third quarter of 2020 compared to the same period in 2019. This is because of the recent increase in demand for streaming services the costs for production, content licensing and equipment costs increased by \$19,765.

Total Operating Expenses

Total operating expense increased in the third quarter of 2020 over the same period for 2019 by \$805,087 or 84% because of several items.

One is that payroll related costs increased by \$286,629 in the third quarter compared to 2019 due to increases in personnel needed to launch its platform targeted to consumers and the expansion of management personnel in 2020 and a large reduction in salaries in the third quarter of 2019.

A second is the Company significantly increased advertising and marketing expenses by \$82,856 over the amounts spent in 2019 as it prepares to launch its consumer-based service platform.

Another is a \$144,235 increase in (non-cash) share-based compensation due to the option cost recognition over the vesting period in the third quarter from the award of additional options in the second quarter of 2020.

Another is a \$223,732 increase in accounting fees incurred for the audit of 2019 and 2018 as well as the first and second quarterly reports to be filed with the Securities and Exchange Commission. A lower audit related expense was incurred in the third quarter of 2019.

Legal and other consulting expenses increased by \$26,452 over amounts spent for the same period of 2019.

Due to the significant increase in operations in an effort to expand the Company's operational capacity the Company has also incurred increased costs for insurance of \$29,346 and office supplies and services amounting to \$17,357. However, travel expense did decrease by \$6,114 which is directly related to less traveling due to the pandemic.

Other income and expenses

There was a reduction of other expense of \$126,179 in the third quarter of 2020 from the same period in 2019.

This was primarily because the Company incurred a loss from the settlement of obligations of \$153,151 in 2019 that did not reoccur in 2020.

In addition, the Company incurred \$26,378 more in interest expense for the third quarter of 2020 than in 2019 because of increased borrowing and higher loan balances during and at the end of the quarter.

Net Loss

The Company's net loss in the third quarter of 2020 increased an additional \$906,569 over the net loss for the same period in 2019. This was primarily due to the accounting fees incurred in the amount of \$223,732 to perform an audit of 2019 and 2018 financial statements as well as the reviews of the first and second quarterly reports of 2020 filed with the Securities and Exchange Commission.

Also contributing to the net loss is an increase in operating expenses related to supporting the launch of its platform targeted to consumers amounting to \$436,526. Additionally, stock-based compensation of \$144,235 and the \$227,661 loss in gross profit in 2020 due to the effects of the coronavirus pandemic.

For the Nine Months Ended September 30, 2020 compared to the Nine Months Ended September 30, 2019

Nine months ended September 30,	2020	2019	\$ variance	% variance
Content and streaming services	\$ 1,053,658	\$ 1,271,351	\$ (217,693)	-17%
Content subscription services	944,627	1,116,457	(171,830)	-15%
Hardware for ongoing subscription content	90,628	115,772	(25,144)	-22%
Total revenue	2,088,913	2,503,580	(414,667)	-17%
Cost of revenue	647,337	682,848	(35,511)	-5%
Gross Profit	1,441,576	1,820,732	(379,156)	-21%
Operating expenses:				
Selling, general and administration	6,456,975	5,100,037	1,356,938	27%
Total Operating expenses	6,456,975	5,100,037	1,356,938	27%
Loss from Operations	(5,015,399)	(3,279,305)	(1,736,094)	53%
Other income (expense):				
Interest income	3,556	4,103	(547)	-13%
Interest expense	(739,698)	(700,980)	(38,718)	6%
Loss on settlement of obligations	—	(19,779)	19,779	-100%
Inducement expense	(3,793,406)	—	(3,793,406)	100%
Other income	10,000	—	10,000	100%
Loss on extinguishment of debt	—	(153,151)	153,151	-100%
Total Other income (expense)	(4,519,548)	(869,807)	(3,649,741)	420%
Provision for income taxes	—	—	—	0%
Net loss	\$ (9,534,947)	\$ (4,149,112)	\$ (5,385,835)	130%

Revenues

The Company's revenue declined for the nine months ended September 30, 2020 from 2019 by \$414,667 or 17%. The primary cause for this large decline in revenue is the coronavirus pandemic. Most of the states in the U.S. issued shelter in place orders to their residents and required any non-essential businesses to close in the second quarter of 2020.

Revenue from content and streaming services declined 17% from 2019 amounts. Although this revenue stream has not been affected as much by the pandemic in the previous quarters, it has been affected in the third quarter. The Company's customers across the board have started reducing the services they have been previously purchasing. In addition, in the third quarter a number of customers began requesting credits against invoices they received from the Company for services purchased in the second quarter because of the impact of the pandemic.

Content subscription services fell \$171,830 or 15% for the nine months ended September 30, 2020. The customers for these services are bars, restaurants and to a lesser extent casinos and cruise ships. As a result of business closures and much reduced customer operations, revenue in these areas fell.

Hardware sales have decreased from \$115,772 recognized in 2019 to \$90,628 in 2020 or by 22%. This is to be expected as the Company transitions from providing the streaming service on on-site PC equipment to an internet-based service.

Cost of revenue

The cost of revenue also decreased by 5% for the nine months ended September 30, 2020 compared to the same period in 2019 in conjunction with the reduction in sales due to the pandemic. Because of the substantial reduction in demand for subscription services the cost of hosting content dropped by \$67,357. The cost of production and content licensing increased by \$33,796 from 2019 to 2020 as more emphasis has been placed on service delivery efforts and production capabilities.

Total Operating Expenses

Total operating expense increased in the nine months ended September 30, 2020 over the same period for 2019 by \$1,356,938 or 27% because of several items.

The Company also increased advertising and marketing expenses by \$94,039 over the amounts incurred in 2019.

The Company incurred \$519,278 more (non-cash) share-based compensation in 2020 than 2019

The Company has also incurred increased costs for insurance \$73,174 and had a reduction in office supplies and services amounting to \$33,853

One is a \$707,079 increase in accounting fees incurred for the audit of 2019 and 2018 as well as the first and second quarterly reports filed with the Securities and Exchange Commission; a lower audit related expense was incurred through September 30, 2019.

Other income and expenses

There was an increase in other income and expense for the nine months ended September 30, 2020 from the same period in 2019 of \$3,649,741. This was primarily because an inducement expense of \$3,793,406 related to the issuance of 200,000 shares of Series B convertible preferred stock for cash and induced debt extinguishment in 2020.

Net Loss

The Company's net loss for the nine months ended September 30, 2020 increased an additional \$5,385,835 over the net loss for the same period in 2019. This was largely due to an inducement expense of \$3,793,406 related to the issuance of 200,000 shares of Series B convertible preferred stock for cash and induced debt extinguishment in 2020 and to the accounting fees incurred in the amount of \$707,079 to perform an audit of 2019 and 2018 financial statements as well as preparing and filing the first and second quarterly reports of 2020 to be filed with the Securities and Exchange Commission.

Also, the Company incurred fewer legal fees for the nine months ended September 30, 2020 than in 2019.

Additionally, (non-cash) stock-based compensation in 2020 was increased by \$519,278 over the amount in 2019, and the increase of \$379,156 for loss in gross profit in 2020 due to the effects of the pandemic.

Liquidity and Capital Resources

As of September 30, 2020, the Company had cash of approximately \$1,971,923. The following table provides a summary of the Company's net cash flows from operating, investing, and financing activities.

	Nine months ended	
	September 30, 2020	September 30, 2019
Net cash used in operating activities	\$ (3,606,632)	\$ (1,517,301)
Net cash used in investing activities	(6,256)	(16,511)
Net cash (used in) provided by financing activities	4,573,366	(2,005,823)
Change in cash	960,478	(3,539,635)
Cash, beginning of period	1,011,445	3,838,661
Cash, end of period	<u>\$ 1,971,923</u>	<u>\$ 299,026</u>

The Company has historically sought and continues to seek financing from private sources to implement its business plans. In order to satisfy its financial commitments, the Company has historically relied on private party financing, but that has inherent risks in terms of availability and adequacy of funding.

For the next twelve months, the Company anticipates that it will need to supplement its cash from revenues with additional cash raised from equity investment or debt transactions to ensure that the Company will have adequate cash to support its minimum operating cash requirements and thus to continue as a going concern.

There can be no guarantee or assurance that the Company can raise adequate capital from outside sources. If the Company is unable to raise funds when required or on acceptable terms, it may have to significantly reduce, or discontinue its operations.

Net Cash Flow from Operating Activities

There was approximately \$2,089,000 more cash used in operations in the nine months ended September 30, 2020 than in the same period in 2019. This was necessary to pay for additional accounting and legal fees associated with the merger into a public company and the two-year audit of the Company. Also, additional funds were spent on payroll and consulting costs to provide the necessary support to sustain the expected future revenue growth and higher level of operations.

Net Cash Flow from Investing Activities

Investing activities consisted of the receiving cash payments on a note receivable in both 2020 and 2019.

In 2020 the Company spent \$10,599 for the purchase of equipment as compared to \$20,684 in 2019.

Net Cash Flow from Financing Activities

In the nine months ended September 30, 2020 the Company raised \$4,080,000 in new capital to continue strengthening its operations and building its organization, less \$80,134 to pay for additional legal fees and other costs associated with the merger into a public company.

The Company also received loan proceeds from the Paycheck Protection Program ("PPP") loan program in the amount of \$573,500 (see Note 9).

The Company raised \$89,990 in new capital in the nine months ended September 30, 2019.

The Company in the nine months ended September 30, 2019, also received proceeds from the issuance of convertible debt in the amount of \$277,473.

In 2019, the company repaid stockholders loans in the amount of \$348,286 and also paid down on the payable on the acquisition in the amount of \$2,025,000.

Going Concern

As of September 30, 2020, the Company had cash of \$1,971,923 and accumulated deficit of \$35,660,199. During the nine months ended September 30, 2020, the Company used net cash in operating activities of \$3,606,632. The Company has incurred net losses since its inception.

These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company's primary source of operating funds since inception has been cash proceeds from debt and equity financing transactions. The ability of the Company to continue as a going concern depends on its ability to generate sufficient revenue and its ability to raise additional funds by way of a debt and equity financing transactions.

Accordingly, the accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which contemplate continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the financial statements do not necessarily purport to represent realizable or settlement values. The unaudited condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Recent Accounting Pronouncements

See the Company's discussion under Note 2-Significant Accounting Policies in its financial statements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

Not required.

Item 4. Controls and Procedures.

(i) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of September 30, 2020. Our disclosure controls and procedures are designed to provide reasonable assurance that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms.

Based on this evaluation, and as a result of the material weaknesses described below, our CEO and CFO have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2020. Notwithstanding the material weaknesses that were identified as of December 31, 2019 and continued to exist at September 30, 2020, management believes that the financial statements included in this report present fairly in all material respects our financial position, results of operations and cash flows for the period presented.

Material Weaknesses and Management’s Remediation Plan

A material weakness is a deficiency, or a combination of deficiencies, within the meaning of Public Company Accounting Oversight Board (“PCAOB”) Auditing Standard AS 2201, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. The following material weaknesses in our internal control over financial reporting were identified in the normal course as of December 31, 2019 and continued to exist as of September 30, 2020:

- The Company failed to maintain an effective control environment and had insufficient oversight of the design and operating effectiveness of the Company’s disclosure controls and internal controls over financial reporting;
- The Company failed to maintain effective controls over the period-end financial reporting process, including controls with respect to preparation of provision for income taxes, journal entries, and account reconciliations. Journal entries, both recurring and nonrecurring, were not always accompanied by sufficient supporting documentation and were not adequately reviewed and approved for validity, completeness and accuracy;
- The Company did not maintain proper segregation of duties. In certain instances, persons responsible to review transactions for validity, completeness and accuracy were also responsible for preparation; and
- The Company’s financial reporting team did not possess the requisite skill sets, knowledge, education or experience to prepare the financial statements and notes to the financial statements in accordance with US GAAP, or to review the financial statements and notes to the financial statements prepared by the external consultants and professionals to ensure accuracy and completeness.

We have concluded that these material weaknesses arose because, as previously a private company, we did not have the necessary business processes, systems, personnel and related internal controls. During the year ended December 31, 2019, we began to undertake measures to address material weaknesses in our internal controls. In particular, during March 2020, we engaged an outside advisory and consulting firm with expertise in preparation of financial statements. We will continue to take steps to remediate these material weaknesses, including:

- We intend to implement a procedure that ensures timely review of the financial statements, notes to our financial statements, and our Annual and Quarterly Reports on Forms 10-K and 10-Q by our chief executive officer, chief financial officer, and our board of directors, prior to filing with the SEC;

- We intend to design and implement a formalized financial reporting process that includes balance sheet reconciliations, properly prepared, supported and reviewed journal entries, properly segregated duties, and properly completed and approved close checklist and calendar;
- We intend to hire additional experienced individuals to prepare and approve the consolidated financial statements and footnote disclosures in accordance with US GAAP;
- We have relied and will continue to rely upon outside professionals to assist with our external reporting requirements to ensure timely filing of our required reports with the SEC; and
- We intend to initiate efforts to ensure our employees understand the continued importance of internal controls and compliance with corporate policies and procedures.

(ii) Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during our most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management intends to implement certain remediation steps to address the material weaknesses described above. However, management has not yet implemented those remediation steps and expects remediation efforts to continue through the remainder of fiscal year 2020.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our Company, threatened against or affecting our Company, or our common stock, in which an adverse decision could have a material adverse effect.

Item 1A. Risk Factors.

We are not required to provide the information required by this Item due to the fact we are a "smaller reporting company." However, as a result of the merger in February 2020, our business is different and we believe our new business, and ownership of our common stock, is subject to numerous risks and uncertainties, including, but not limited to, the following:

- your ability to sell your common shares at or above the price you bought them for due to the failure of an active, liquid, and orderly market for our common shares to develop or be sustained;
- our ability to attract prospective business and users and to retain existing business and users;
- our dependence upon third-party licenses for video recordings and musical compositions;
- our ability to comply with the many complex license agreements to which we are a party;
- our ability to generate enough revenue to be profitable or to generate positive cash flow on a sustained basis;
- our lack of control over the providers of our content and their effect on our access to music videos and other content;
- our ability to accurately estimate the amounts payable under our license agreements;
- the limitations on our operating flexibility due to the minimum guarantees required under certain of our license agreements;
- our ability to obtain accurate and comprehensive information about music compositions in order to obtain necessary licenses or perform obligations under our existing license agreements;
- potential breaches of our security systems; and
- assertions by third parties of infringement or other violations by us of their intellectual property rights.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On September 30, 2020, we sold and issued an aggregate of 2,136,000 shares of our common stock to a total of nine accredited investors at a price of \$1.25 per share for an aggregate purchase price of \$2,670,000. The offers, sales and issuances of such common stock were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act as transactions by an issuer not involving a public offering.

The recipients of securities in each of these transactions acquired the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof and represented to us that they could bear the risks of the investment and could hold the securities for an indefinite period of time, and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions represented to us in connection with their purchase that they were an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act.

Item 3. Defaults Upon Senior Securities.

There were no material defaults regarding payments of principal and interest that exceeded 5% of the total assets of the Company.

Item 4. Mine Safety Disclosure.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Exhibit Description
2.1	Agreement and Plan of Merger with Interlink Plus, Inc., Loop Media Acquisition, Inc. and Loop Media, Inc. dated January 3, 2020 (previously filed on January 6, 2020 as Exhibit 2.1 of the Current Report on Form 8-K)
2.2	Purchase Agreement by and between Interlink Plus, Inc. and Zixiao Chen, dated February 6, 2020 (previously filed on February 7, 2020 as Exhibit 2.2 of the Current Report on Form 8-K)
2.3	Plan of Merger between Interlink Plus, Inc. and Loop Media, Inc. dated May 22, 2020 (previously filed on June 11, 2020 as Exhibit 2.1 of the Current Report on Form 8-K)
2.4	Certificate of Ownership and Merger filed with the Delaware Secretary of State on June 8, 2020 (previously filed on June 11, 2020 as Exhibit 2.2 of the Current Report on Form 8-K)
2.5	Articles of Merger filed with the Nevada Secretary of State on June 9, 2020 (previously filed on June 11, 2020 as Exhibit 3.2 of the Current Report on Form 8-K)
3.1	Articles of Incorporation, as amended to date (previously filed on November 4, 2020 as Exhibit 3.1 of the Quarterly Report on Form 10-Q for the period ending March 31, 2020)
3.2	Bylaws (previously filed on July 31, 2015 as Exhibit 3.3 of the Form S-1 Registration Statement)
4.1	Form of Warrant (previously filed on February 7, 2020 as Exhibit 4.1 of the Current Report on Form 8-K)
4.2	Form of First Amended and Restated Convertible Promissory Note (previously filed on February 7, 2020 as Exhibit 4.2 of the Current Report on Form 8-K)
10.1	Restricted Stock Purchase Agreement by and between Interlink Plus, Inc. and Bruce A Cassidy 2013 Irrevocable Trust, dated February 5, 2020 (previously filed on February 7, 2020 as Exhibit 10.1 of the Current Report on Form 8-K)
10.2	Loop Media, Inc. 2020 Equity Incentive Compensation Plan
10.3	
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, as amended, the registrant has duly caused this quarterly report to be signed on its behalf by the undersigned thereunto duly authorized on November 16, 2020.

Loop Media, Inc., a Nevada corporation
(Registrant)

By: /s/ Jon Niermann

Jon Niermann
Chief Executive Officer
(Principal Executive Officer)

By: /s/ James Cerna

James Cerna
Chief Financial Officer
(Principal Financial and Accounting Officer)

LOOP MEDIA, INC.

2020 EQUITY INCENTIVE COMPENSATION PLAN

1. Purpose; Eligibility

1.1 General Purpose. The name of this plan is the Loop Media, Inc. 2020 Equity Incentive Compensation Plan (the "**Plan**"). The purposes of the Plan are to: (a) enable Loop Media, Inc., a Nevada corporation (the "**Company**"), and any Affiliate to attract and retain the types of Employees, Consultants and Directors who will contribute to the Company's long range success; (b) provide incentives that align the interests of Employees, Consultants and Directors with those of the shareholders of the Company; and (c) promote the success of the Company's business.

1.2 Eligible Award Recipients. The persons eligible to receive Awards are the Employees, Consultants and Directors of the Company and its Affiliates and such other individuals designated by the Committee who are reasonably expected to become Employees, Consultants and Directors after the receipt of Awards.

1.3 Available Awards. Awards that may be granted under the Plan include: (a) Incentive Stock Options; (b) Non-qualified Stock Options; (c) Stock Appreciation Rights; (d) Restricted Awards; (e) Performance Share Awards; (f) Cash Awards; and (g) Other Equity-Based Awards.

2. Definitions

"**Affiliate**" means a corporation or other entity that, directly or through one or more intermediaries, controls, is controlled by or is under common control with, the Company.

"**Applicable Laws**" means the requirements related to or implicated by the administration of the Plan under applicable state corporate law, United States federal and state securities laws, the Code, any stock exchange or quotation system on which the shares of Common Stock are listed or quoted, and the applicable laws of any foreign country or jurisdiction where Awards are granted under the Plan.

"**Award**" means any right granted under the Plan, including an Incentive Stock Option, a Non-qualified Stock Option, a Stock Appreciation Right, a Restricted Award, a Performance Share Award, a Cash Award or an Other Equity-Based Award.

"**Award Agreement**" means a written agreement, contract, certificate or other instrument or document evidencing the terms and conditions of an individual Award granted under the Plan which may, in the discretion of the Company, be transmitted electronically to any Participant. Each Award Agreement shall be subject to the terms and conditions of the Plan.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular Person, such Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"**Board**" means the Board of Directors of the Company, as constituted at any time.

“**Cash Award**” means an Award denominated in cash that is granted under Section 10 of the Plan.

“**Cause**” means:

With respect to any Employee or Consultant, unless the applicable Award Agreement states otherwise:

(a) If the Employee or Consultant is a party to an employment or service agreement with the Company or its Affiliates and such agreement provides for a definition of Cause, the definition contained therein; or

(b) If no such agreement exists, or if such agreement does not define Cause: (i) the commission of, or plea of guilty or no contest to, a felony or a crime involving fraud, deception, moral turpitude or the commission of any other act involving willful malfeasance or fiduciary breach whether or not with respect to the Company or an Affiliate; (ii) conduct that brings or is reasonably likely to bring the Company or an Affiliate negative publicity or into public disgrace, embarrassment, or disrepute; (iii) gross negligence or willful misconduct with respect to the Company or an Affiliate; (iv) material violation of state or federal securities laws; or (v) violation of the Company’s written policies or codes of conduct, including written policies related to discrimination, harassment, performance of illegal or unethical activities, and ethical misconduct.

With respect to any Director, unless the applicable Award Agreement states otherwise, a determination by a majority of the disinterested Board members that the Director has engaged in any of the following:

- (a) malfeasance in office;
- (b) gross misconduct or neglect;
- (c) false or fraudulent misrepresentation inducing the director’s appointment;
- (d) willful conversion of corporate funds; or
- (e) repeated failure to participate in Board meetings on a regular basis despite having received proper notice of the meetings in advance

The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.

“**Change in Control**”

(a) The direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole, to any Person that is not a subsidiary of the Company;

(b) The Incumbent Directors cease for any reason to constitute at least a majority of the Board;

(c) The date which is ten business days prior to the consummation of a complete liquidation or dissolution of the Company;

(d) The acquisition by any Person of Beneficial Ownership of 50% or more (on a fully diluted basis) of either: (i) the then outstanding shares of Common Stock of the Company, taking into account as outstanding for this purpose such Common Stock issuable upon the exercise of options or warrants, the conversion of convertible stock or debt, and the exercise of any similar right to acquire such Common Stock (the “**Outstanding Company Common Stock**”); or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); *provided, however*, that for purposes of this Plan, the following acquisitions shall not constitute a Change in Control: (A) any acquisition by the Company or any Affiliate; (B) any acquisition by any employee benefit plan sponsored or maintained by the Company or any subsidiary; (C) any acquisition which complies with clauses, (i), (ii) and (iii) of subsection (e) of this definition; or (D) in respect of an Award held by a particular Participant, any acquisition by the Participant or any group of persons including the Participant (or any entity controlled by the Participant or any group of persons including the Participant); or

(e) The consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company that requires the approval of the Company’s shareholders, whether for such transaction or the issuance of securities in the transaction (a “**Business Combination**”), *unless immediately following such Business Combination* (i) more than 50% of the total voting power of: (A) the entity resulting from such Business Combination (the “**Surviving Company**”); or (B) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of sufficient voting securities eligible to elect a majority of the members of the board of directors (or the analogous governing body) of the Surviving Company (the “**Parent Company**”), is represented by the Outstanding Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Outstanding Company Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Outstanding Company Voting Securities among the holders thereof immediately prior to the Business Combination; (ii) no Person (other than any employee benefit plan sponsored or maintained by the Surviving Company or the Parent Company) is or becomes the Beneficial Owner, directly or indirectly, of 50% or more of the total voting power of the outstanding voting securities eligible to elect members of the board of directors of the Parent Company (or the analogous governing body) (or, if there is no Parent Company, the Surviving Company); and (iii) at least a majority of the members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) following the consummation of the Business Combination were Board members at the time of the Board’s approval of the execution of the initial agreement providing for such Business Combination.

“**Code**” means the Internal Revenue Code of 1986, as it may be amended from time to time. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder.

“**Committee**” means a committee of one or more members of the Board appointed by the Board to administer the Plan in accordance with Section 3.3 and Section 3.4.

“**Common Stock**” means the common stock, \$0.0001 par value per share, of the Company, or such other securities of the Company as may be designated by the Committee from time to time in substitution thereof.

“**Company**” has the meaning set forth in Section 1.1.

“**Consultant**” means any individual or entity which performs bona fide services to the Company or an Affiliate, other than as an Employee or Director, and who may be offered securities registerable pursuant to a registration statement on Form S-8 under the Securities Act.

“**Continuous Service**” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Consultant or Director, is not interrupted or terminated. The Participant’s Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, *provided that* there is no interruption or termination of the Participant’s Continuous Service; *provided further that* if any Award is subject to Section 409A of the Code, this sentence shall only be given effect to the extent consistent with Section 409A of the Code. For example, a change in status from an Employee of the Company to a Director of an Affiliate will not constitute an interruption of Continuous Service. The Committee or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence. The Committee or its delegate, in its sole discretion, may determine whether a Company transaction, such as a sale or spin-off of a division or subsidiary that employs a Participant, shall be deemed to result in a termination of Continuous Service for purposes of affected Awards, and such decision shall be final, conclusive and binding.

“**Deferred Stock Units (DSUs)**” has the meaning set forth in Section 8.1(b) hereof.

“**Director**” means a member of the Board.

“**Disability**” means, unless the applicable Award Agreement says otherwise, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment; *provided, however*, for purposes of determining the term of an Incentive Stock Option pursuant to Section 6.10 hereof, the term Disability shall have the meaning ascribed to it under Section 22(e)(3) of the Code. The determination of whether an individual has a Disability shall be determined under procedures established by the Committee. Except in situations where the Committee is determining Disability for purposes of the term of an Incentive Stock Option pursuant to Section 6.10 hereof within the meaning of Section 22(e)(3) of the Code, the Committee may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company or any Affiliate in which a Participant participates.

“**Disqualifying Disposition**” has the meaning set forth in Section 17.12.

“**Effective Date**” shall mean January 29, 2020.

“**Employee**” means any person, including an Officer or Director, employed by the Company or an Affiliate; *provided, that*, for purposes of determining eligibility to receive Incentive Stock Options, an Employee shall mean an employee of the Company or a parent or subsidiary corporation within the meaning of Section 424 of the Code. Mere service as a Director or payment of a director’s fee by the Company or an Affiliate shall not be sufficient to constitute “employment” by the Company or an Affiliate.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Fair Market Value**” means, as of any date, the value of the Common Stock as determined below. If the Common Stock is listed on any established stock exchange or a national market system, or is the subject of broker-dealer quotes on an SEC-registered Alternative Trading System, the Fair Market Value shall be the closing price of a share of Common Stock (or if no sales were reported the closing price on the date immediately preceding such date) as quoted on such exchange or system on the day of determination, as reported by such exchange or system. In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Committee and such determination shall be conclusive and binding on all persons.

“**Fiscal Year**” means the Company’s fiscal year.

“**Free Standing Rights**” has the meaning set forth in Section 7.

“**Good Reason**” means, unless the applicable Award Agreement states otherwise:

(a) If an Employee or Consultant is a party to an employment or service agreement with the Company or its Affiliates and such agreement provides for a definition of Good Reason, the definition contained therein; or

(b) If no such agreement exists or if such agreement does not define Good Reason, the occurrence of one or more of the following without the Participant’s express written consent, which circumstances are not remedied by the Company within 30 days of its receipt of a written notice from the Participant describing the applicable circumstances (which notice must be provided by the Participant within 90 days of the Participant’s knowledge of the applicable circumstances): (i) any material, adverse change in the Participant’s duties or responsibilities; *provided, that*, neither a mere change in title alone nor reassignment following a Change in Control to a position that is substantially similar to the position held prior to the transaction shall constitute Good Reason; or (ii) a material reduction in the Participant’s base salary, unless such reduction affects all similarly situated employees; *provided, however*, that in order for circumstances to provide Good Reason for Participant’s resignation, Participant must resign within six months after the initial occurrence of the circumstance giving rise to Good Reason. The determination as to whether a Participant has resigned for Good Reason shall be made in good faith by the Committee and shall be final and binding on the Participant. The term “Company” will be interpreted to include the Company and any subsidiary, parent entity and Affiliate of the Company, or any successor entity thereto.

“**Grant Date**” means the date on which the Committee adopts a resolution, or takes other appropriate action, expressly granting an Award to a Participant that specifies the key terms and conditions of the Award or, if a later date is set forth in such resolution, then such date as is set forth in such resolution.

“Incentive Stock Option” means an Option that is designated by the Committee as an incentive stock option within the meaning of Section 422 of the Code and that meets the requirements set out in the Plan.

“Incumbent Directors” means individuals who, on the Effective Date, constitute the Board, *provided that* any individual becoming a Director subsequent to the Effective Date whose election or nomination for election to the Board was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) shall be an Incumbent Director. No individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Director.

“Non-Employee Director” means a Director who is a “non-employee director” within the meaning of Rule 16b-3.

“Non-qualified Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

“Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

“Option” means an Incentive Stock Option or a Non-qualified Stock Option granted pursuant to the Plan.

“Optionholder” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

“Option Exercise Price” means the price at which a share of Common Stock may be purchased upon the exercise of an Option.

“Other Equity-Based Award” means an Award that is not an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, or Performance Share Award that is granted under Section 10 and is payable by delivery of Common Stock and/or which is measured by reference to the value of Common Stock.

“Participant” means an eligible person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

“Performance Goals” means, for a Performance Period, the one or more goals established by the Committee for the Performance Period based upon business criteria or other performance measures determined by the Committee in its discretion.

“Performance Period” means the one or more periods of time not less than one fiscal quarter in duration, as the Committee may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to and the payment of a Performance Share Award or a Cash Award.

“**Performance Share Award**” means any Award granted pursuant to Section 9 hereof.

“**Performance Share**” means the grant of a right to receive a number of actual shares of Common Stock or share units based upon the performance of the Company during a Performance Period, as determined by the Committee.

“**Permitted Transferee**” means: (a) a member of the Optionholder’s immediate family (child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships), any person sharing the Optionholder’s household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Optionholder) control the management of assets, and any other entity in which these persons (or the Optionholder) own more than 50% of the voting interests; (b) third parties designated by the Committee in connection with a program established and approved by the Committee pursuant to which Participants may receive a cash payment or other consideration in consideration for the transfer of a Non-qualified Stock Option; and (c) such other transferees as may be permitted by the Committee in its sole discretion.

“**Person**” means a person as defined in Section 13(d)(3) of the Exchange Act.

“**Plan**” has the meaning set forth in Section 1.1, as such may be amended and/or amended and restated from time to time.

“**Related Rights**” has the meaning set forth in Section 7.

“**Restricted Award**” means any Award granted pursuant to Section 8.

“**Restricted Period**” has the meaning set forth in Section 8.

“**Rule 16b-3**” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**SEC**” means the U.S. Securities Exchange Commission.

“**Stock Appreciation Right**” means the right pursuant to an Award granted under Section 7 to receive, upon exercise, an amount payable in cash or shares equal to the number of shares subject to the Stock Appreciation Right that is being exercised multiplied by the excess of (a) the Fair Market Value of a share of Common Stock on the date the Award is exercised, over (b) the exercise price specified in the Stock Appreciation Right Award Agreement.

“**Stock for Stock Exchange**” has the meaning set forth in Section 6.4.

“**Substitute Award**” has the meaning set forth in Section 4.6.

“**Ten Percent Shareholder**” means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

“Total Share Reserve” has the meaning set forth in Section 4.1.

3. Administration.

3.1 Authority of Committee. The Plan shall be administered by the Committee or, in the Board’s sole discretion, by the Board. Subject to the terms of the Plan, the Committee’s charter and Applicable Laws, and in addition to other express powers and authorization conferred by the Plan, the Committee shall have the authority:

- (a) to construe and interpret the Plan and apply its provisions;
- (b) to promulgate, amend, and rescind rules and regulations relating to the administration of the Plan;
- (c) to authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan;
- (d) to delegate its authority to one or more Officers of the Company with respect to Awards that do not involve “insiders” within the meaning of Section 16 of the Exchange Act;
- (e) to determine when Awards are to be granted under the Plan and the applicable Grant Date;
- (f) from time to time to select, subject to the limitations set forth in this Plan, those eligible Award recipients to whom Awards shall be granted;
- (g) to determine the number of shares of Common Stock to be made subject to each Award;
- (h) to determine whether each Option is to be an Incentive Stock Option or a Non-qualified Stock Option;
- (i) to prescribe the terms and conditions of each Award, including, without limitation, the exercise price and medium of payment and vesting provisions, and to specify the provisions of the Award Agreement relating to such grant;
- (j) to determine the target number of Performance Shares to be granted pursuant to a Performance Share Award, the performance measures that will be used to establish the Performance Goals, the Performance Period(s) and the number of Performance Shares earned by a Participant;
- (k) to amend any outstanding Awards, including for the purpose of modifying the time or manner of vesting, or the term of any outstanding Award; *provided, however,* that if any such amendment impairs a Participant’s rights or increases a Participant’s obligations under his or her Award or creates or increases a Participant’s federal income tax liability with respect to an Award, such amendment shall also be subject to the Participant’s consent;
- (l) to determine the duration and purpose of leaves of absences which may be granted to a Participant without constituting termination of their employment for purposes of the Plan, which periods shall be no shorter than the periods generally applicable to Employees under the Company’s employment policies;

(m) to make decisions with respect to outstanding Awards that may become necessary upon a change in corporate control or an event that triggers anti-dilution adjustments;

(n) to interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan and any instrument or agreement relating to, or Award granted under, the Plan; and

(o) to exercise discretion to make any and all other determinations which it determines to be necessary or advisable for the administration of the Plan.

The Committee also may modify the purchase price or the exercise price of any outstanding Award, *provided that* if the modification effects a repricing, shareholder approval shall be required before the repricing is effective.

3.2 Committee Decisions Final. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on the Company and the Participants, unless such decisions are determined by a court having jurisdiction to be arbitrary and capricious.

3.3 Delegation. The Committee or, if no Committee has been appointed, the Board may delegate administration of the Plan to a committee or committees of one or more members of the Board, and the term “**Committee**” shall apply to any person or persons to whom such authority has been delegated. The Committee shall have the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board or the Committee shall thereafter be to the committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan. The members of the Committee shall be appointed by and serve at the pleasure of the Board. From time to time, the Board may increase or decrease the size of the Committee, add additional members to, remove members (with or without cause) from, appoint new members in substitution therefor, and fill vacancies, however caused, in the Committee. The Committee shall act pursuant to a vote of the majority of its members or, in the case of a Committee comprised of only two members, the unanimous consent of its members, whether present or not, or by the written consent of the majority of its members and minutes shall be kept of all of its meetings and copies thereof shall be provided to the Board. Subject to the limitations prescribed by the Plan and the Board, the Committee may establish and follow such rules and regulations for the conduct of its business as it may determine to be advisable.

3.4 Committee Composition. Except as otherwise determined by the Board, the Committee shall consist solely of two or more Non-Employee Directors. The Board shall have discretion to determine whether or not it intends to comply with the exemption requirements of Rule 16b-3. However, if the Board intends to satisfy such exemption requirements, with respect to any insider subject to Section 16 of the Exchange Act, the Committee shall be a compensation committee of the Board that at all times consists solely of two or more Non-Employee Directors. Within the scope of such authority, the Board or the Committee may delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Awards to eligible persons who are not then subject to Section 16 of the Exchange Act. Nothing herein shall create an inference that an Award is not validly granted under the Plan in the event Awards are granted under the Plan by a compensation committee of the Board that does not at all times consist solely of two or more Non-Employee Directors.

3.5 Indemnification. In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by Applicable Laws, the Committee shall be indemnified by the Company against the reasonable expenses, including attorney’s fees, actually incurred in connection with any action, suit or proceeding or in connection with any appeal therein, to which the Committee may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted under the Plan, and against all amounts paid by the Committee in settlement thereof (*provided, however*, that the settlement has been approved by the Company, which approval shall not be unreasonably withheld) or paid by the Committee in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee did not act in good faith and in a manner which such person reasonably believed to be in the best interests of the Company, or in the case of a criminal proceeding, had no reason to believe that the conduct complained of was unlawful; *provided, however*, that within 60 days after the institution of any such action, suit or proceeding, such Committee shall, in writing, offer the Company the opportunity at its own expense to handle and defend such action, suit or proceeding.

4. Shares Subject to the Plan

4.1 Subject to adjustment in accordance with Section 14, no more than 12,000,000 shares of Common Stock shall be available for the grant of Awards under the Plan (the “**Total Share Reserve**”). During the terms of the Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Awards.

4.2 Shares of Common Stock available for distribution under the Plan may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares reacquired by the Company in any manner.

4.3 Subject to adjustment in accordance with Section 14, no more than 10,000,000 shares of Common Stock may be issued in the aggregate pursuant to the exercise of Incentive Stock Options (the “**ISO Limit**”).

4.4 The maximum number of shares of Common Stock subject to Awards granted during a single Fiscal Year to any Director, together with any cash fees paid to such Director during the Fiscal Year shall not exceed a total value of \$50,000 (calculating the value of any Awards based on the grant date fair value for financial reporting purposes).

4.5 Any shares of Common Stock subject to an Award that expires or is canceled, forfeited, or terminated without issuance of the full number of shares of Common Stock to which the Award related will again be available for issuance under the Plan. Notwithstanding anything to the contrary contained herein: shares subject to an Award under the Plan shall not again be made available for issuance or delivery under the Plan if such shares are: (a) shares tendered in payment of an Option; (b) shares delivered or withheld by the Company to satisfy any tax withholding obligation; or (c) shares covered by a stock-settled Stock Appreciation Right or other Awards that were not issued upon the settlement of the Award.

4.6 Awards may, in the sole discretion of the Committee, be granted under the Plan in assumption of, or in substitution for, outstanding awards previously granted by an entity acquired by the Company or with which the Company combines (“**Substitute Awards**”). Substitute Awards shall not be counted against the Total Share Reserve; *provided, that*, Substitute Awards issued in connection with the assumption of, or in substitution for, outstanding options intended to qualify as Incentive Stock Options shall be counted against the ISO limit. Subject to applicable stock exchange requirements, available shares under a shareholder-approved plan of an entity directly or indirectly acquired by the Company or with which the Company combines (as appropriately adjusted to reflect such acquisition or transaction) may be used for Awards under the Plan and shall not count toward the Total Share Limit.

5. Eligibility.

5.1 Eligibility for Specific Awards. Incentive Stock Options may be granted only to Employees. Awards other than Incentive Stock Options may be granted to Employees, Consultants and Directors.

5.2 Ten Percent Shareholders. A Ten Percent Shareholder shall not be granted an Incentive Stock Option unless the Option Exercise Price is at least 110% of the Fair Market Value of the Common Stock on the Grant Date and the Option is not exercisable after the expiration of five years from the Grant Date.

6. Option Provisions. Each Option granted under the Plan shall be evidenced by an Award Agreement. Each Option so granted shall be subject to the conditions set forth in this Section 6, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. All Options shall be separately designated Incentive Stock Options or Non-qualified Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. Notwithstanding the foregoing, the Company shall have no liability to any Participant or any other person if an Option designated as an Incentive Stock Option fails to qualify as such at any time or if an Option is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and the terms of such Option do not satisfy the requirements of Section 409A of the Code. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

6.1 Term. Subject to the provisions of Section 5.2 regarding Ten Percent Shareholders, no Incentive Stock Option shall be exercisable after the expiration of ten years from the Grant Date. The term of a Non-qualified Stock Option granted under the Plan shall be determined by the Committee; *provided, however*, no Non-qualified Stock Option shall be exercisable after the expiration of ten years from the Grant Date.

6.2 Exercise Price of an Incentive Stock Option. Subject to the provisions of Section 5.2 regarding Ten Percent Shareholders, the Option Exercise Price of each Incentive Stock Option shall be not less than 100% of the Fair Market Value of the Common Stock subject to the Option on the Grant Date. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an Option Exercise Price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

6.3 Exercise Price of a Non-qualified Stock Option. The Option Exercise Price of each Non-qualified Stock Option shall be not less than 100% of the Fair Market Value of the Common Stock subject to the Option on the Grant Date. Notwithstanding the foregoing, a Non-qualified Stock Option may be granted with an Option Exercise Price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 409A of the Code.

6.4 Consideration. The Option Exercise Price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either: (a) in cash or by certified or bank check at the time the Option is exercised; or (b) in the discretion of the Committee, upon such terms as the Committee shall approve, the Option Exercise Price may be paid: (i) by delivery to the Company of other Common Stock, duly endorsed for transfer to the Company, with a Fair Market Value on the date of delivery equal to the Option Exercise Price (or portion thereof) due for the number of shares being acquired, or by means of attestation whereby the Participant identifies for delivery specific shares of Common Stock that have an aggregate Fair Market Value on the date of attestation equal to the Option Exercise Price (or portion thereof) and receives a number of shares of Common Stock equal to the difference between the number of shares thereby purchased and the number of identified attestation shares of Common Stock (a "**Stock for Stock Exchange**"); (ii) a "cashless" exercise program established with a broker; (iii) by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such Option with a Fair Market Value equal to the aggregate Option Exercise Price at the time of exercise; (iv) by any combination of the foregoing methods; or (v) in any other form of legal consideration that may be acceptable to the Committee. Unless otherwise specifically provided in the Option, the exercise price of Common Stock acquired pursuant to an Option that is paid by delivery (or attestation) to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). Notwithstanding the foregoing, during any period for which the Common Stock is publicly traded (i.e., the Common Stock is listed on any established stock exchange or a national market system) an exercise by a Director or Officer that involves or may involve a direct or indirect extension of credit or arrangement of an extension of credit by the Company, directly or indirectly, in violation of Section 402(a) of the Sarbanes-Oxley Act of 2002 shall be prohibited with respect to any Award under this Plan.

6.5 Transferability of an Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

6.6 Transferability of a Non-qualified Stock Option. A Non-qualified Stock Option may, in the sole discretion of the Committee, be transferable to a Permitted Transferee, upon written approval by the Committee to the extent provided in the Award Agreement. If the Non-qualified Stock Option does not provide for transferability, then the Non-qualified Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

6.7 Vesting of Options. Each Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Committee may deem appropriate. The vesting provisions of individual Options may vary. No Option may be exercised for a fraction of a share of Common Stock. The Committee may, but shall not be required to, provide for an acceleration of vesting and exercisability in the terms of any Award Agreement upon the occurrence of a specified event.

6.8 Termination of Continuous Service. Unless otherwise provided in an Award Agreement or in an employment agreement the terms of which have been approved by the Committee, in the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of: (a) the date three months following the termination of the Optionholder's Continuous Service; or (b) the expiration of the term of the Option as set forth in the Award Agreement; *provided that*, if the termination of Continuous Service is by the Company for Cause, all outstanding Options (whether or not vested) shall immediately terminate and cease to be exercisable. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Award Agreement, the Option shall terminate.

6.9 Extension of Termination Date. An Optionholder's Award Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service for any reason would be prohibited at any time because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act or any other state or federal securities law or the rules of any securities exchange or interdealer quotation system, then the Option shall terminate on the earlier of: (a) the expiration of the term of the Option in accordance with Section 6.1; or (b) the expiration of a period after termination of the Participant's Continuous Service that is three months after the end of the period during which the exercise of the Option would be in violation of such registration or other securities law requirements.

6.10 Disability of Optionholder. Unless otherwise provided in an Award Agreement, in the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of: (a) the date 12 months following such termination; or (b) the expiration of the term of the Option as set forth in the Award Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein or in the Award Agreement, the Option shall terminate.

6.11 Death of Optionholder. Unless otherwise provided in an Award Agreement, in the event an Optionholder's Continuous Service terminates as a result of the Optionholder's death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death, but only within the period ending on the earlier of: (a) the date 12 months following the date of death; or (b) the expiration of the term of such Option as set forth in the Award Agreement. If, after the Optionholder's death, the Option is not exercised within the time specified herein or in the Award Agreement, the Option shall terminate.

6.12 Incentive Stock Option \$100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds \$100,000, the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Non-qualified Stock Options.

7. Stock Appreciation Rights. Each Stock Appreciation Right granted under the Plan shall be evidenced by an Award Agreement. Each Stock Appreciation Right so granted shall be subject to the conditions set forth in this Section 7, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. Stock Appreciation Rights may be granted alone ("**Free Standing Rights**") or in tandem with an Option granted under the Plan ("**Related Rights**").

7.1 Grant Requirements for Related Rights. Any Related Right that relates to a Non-qualified Stock Option may be granted at the same time the Option is granted or at any time thereafter but before the exercise or expiration of the Option. Any Related Right that relates to an Incentive Stock Option must be granted at the same time the Incentive Stock Option is granted.

7.2 Term. The term of a Stock Appreciation Right granted under the Plan shall be determined by the Committee; *provided, however*, no Stock Appreciation Right shall be exercisable later than the tenth anniversary of the Grant Date.

7.3 Vesting. Each Stock Appreciation Right may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Stock Appreciation Right may be subject to such other terms and conditions on the time or times when it may be exercised as the Committee may deem appropriate. The vesting provisions of individual Stock Appreciation Rights may vary. No Stock Appreciation Right may be exercised for a fraction of a share of Common Stock. The Committee may, but shall not be required to, provide for an acceleration of vesting and exercisability in the terms of any Stock Appreciation Right upon the occurrence of a specified event.

7.4 Exercise and Payment. Upon exercise of a Stock Appreciation Right, the holder shall be entitled to receive from the Company an amount equal to the number of shares of Common Stock subject to the Stock Appreciation Right that is being exercised multiplied by the excess of: (a) the Fair Market Value of a share of Common Stock on the date the Award is exercised; over (b) the exercise price specified in the Stock Appreciation Right or related Option. Payment with respect to the exercise of a Stock Appreciation Right shall be made on the date of exercise. Payment shall be made in the form of shares of Common Stock (with or without restrictions as to substantial risk of forfeiture and transferability, as determined by the Committee in its sole discretion), cash or a combination thereof, as determined by the Committee.

7.5 Exercise Price. The exercise price of a Free Standing Right shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of one share of Common Stock on the Grant Date of such Stock Appreciation Right. A Related Right granted simultaneously with or subsequent to the grant of an Option and in conjunction therewith or in the alternative thereto shall have the same exercise price as the related Option, shall be transferable only upon the same terms and conditions as the related Option, and shall be exercisable only to the same extent as the related Option; *provided, however*, that a Stock Appreciation Right, by its terms, shall be exercisable only when the Fair Market Value per share of Common Stock subject to the Stock Appreciation Right and related Option exceeds the exercise price per share thereof and no Stock Appreciation Rights may be granted in tandem with an Option unless the Committee determines that the requirements of Section 7.1 are satisfied.

7.6 Reduction in the Underlying Option Shares. Upon any exercise of a Related Right, the number of shares of Common Stock for which any related Option shall be exercisable shall be reduced by the number of shares for which the Stock Appreciation Right has been exercised. The number of shares of Common Stock for which a Related Right shall be exercisable shall be reduced upon any exercise of any related Option by the number of shares of Common Stock for which such Option has been exercised.

8. Restricted Awards. A Restricted Award is an Award of actual shares of Common Stock (“**Restricted Stock**”) or hypothetical Common Stock units (“**Restricted Stock Units**”) having a value equal to the Fair Market Value of an identical number of shares of Common Stock, which may, but need not, provide that such Restricted Award may not be sold, assigned, transferred or otherwise disposed of, pledged or hypothecated as collateral for a loan or as security for the performance of any obligation or for any other purpose for such period (the “**Restricted Period**”) as the Committee shall determine. Each Restricted Award granted under the Plan shall be evidenced by an Award Agreement. Each Restricted Award so granted shall be subject to the conditions set forth in this Section 8, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. No Restricted Award may be granted or settled for a fraction of a share of Common Stock.

8.1 Restricted Stock and Restricted Stock Units.

(a) Each Participant granted Restricted Stock shall execute and deliver to the Company an Award Agreement with respect to the Restricted Stock setting forth the restrictions and other terms and conditions applicable to such Restricted Stock. If the Committee determines that the Restricted Stock shall be held by the Company or in escrow rather than delivered to the Participant pending the release of the applicable restrictions, the Committee may require the Participant to additionally execute and deliver to the Company: (i) an escrow agreement satisfactory to the Committee, if applicable; and (ii) the appropriate blank stock power with respect to the Restricted Stock covered by such agreement. If a Participant fails to execute an agreement evidencing an Award of Restricted Stock and, if applicable, an escrow agreement and stock power, the Award shall be null and void. Subject to the restrictions set forth in the Award, the Participant generally shall have the rights and privileges of a shareholder as to such Restricted Stock, including the right to vote such Restricted Stock and the right to receive dividends; *provided that*, any cash dividends and stock dividends with respect to the Restricted Stock shall be withheld by the Company for the Participant's account, and interest may be credited on the amount of the cash dividends withheld at a rate and subject to such terms as determined by the Committee. The cash dividends or stock dividends so withheld by the Committee and attributable to any particular share of Restricted Stock (and earnings thereon, if applicable) shall be distributed to the Participant in cash or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to the amount of such dividends, if applicable, upon the release of restrictions on such share and, if such share is forfeited, the Participant shall have no right to such dividends.

(b) The terms and conditions of a grant of Restricted Stock Units shall be reflected in an Award Agreement. No shares of Common Stock shall be issued at the time a Restricted Stock Unit is granted, and the Company will not be required to set aside funds for the payment of any such Award. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder. The Committee may also grant Restricted Stock Units with a deferral feature, whereby settlement is deferred beyond the vesting date until the occurrence of a future payment date or event set forth in an Award Agreement ("**Deferred Stock Units**"). At the discretion of the Committee, each Restricted Stock Unit or Deferred Stock Unit (representing one share of Common Stock) may be credited with an amount equal to the cash and stock dividends paid by the Company in respect of one share of Common Stock ("**Dividend Equivalents**"). Dividend Equivalents will be deemed re-invested in additional Restricted Stock Units or Deferred Stock Units based on the Fair Market Value of a share of Common Stock on the applicable dividend payment date and rounded down to the nearest whole share.

8.2 Restrictions.

(a) Restricted Stock awarded to a Participant shall be subject to the following restrictions until the expiration of the Restricted Period, and to such other terms and conditions as may be set forth in the applicable Award Agreement: (i) if an escrow arrangement is used, the Participant shall not be entitled to delivery of the stock certificate; (ii) the shares shall be subject to the restrictions on transferability set forth in the Award Agreement; (iii) the shares shall be subject to forfeiture to the extent provided in the applicable Award Agreement; and (iv) to the extent such shares are forfeited, the stock certificates shall be returned to the Company, and all rights of the Participant to such shares and as a shareholder with respect to such shares shall terminate without further obligation on the part of the Company.

(b) Restricted Stock Units and Deferred Stock Units awarded to any Participant shall be subject to: (i) forfeiture until the expiration of the Restricted Period, and satisfaction of any applicable Performance Goals during such period, to the extent provided in the applicable Award Agreement, and to the extent such Restricted Stock Units or Deferred Stock Units are forfeited, all rights of the Participant to such Restricted Stock Units or Deferred Stock Units shall terminate without further obligation on the part of the Company; and (ii) such other terms and conditions as may be set forth in the applicable Award Agreement.

(c) The Committee shall have the authority to remove any or all of the restrictions on the Restricted Stock, Restricted Stock Units and Deferred Stock Units whenever it may determine that, by reason of changes in Applicable Laws or other changes in circumstances arising after the date the Restricted Stock or Restricted Stock Units or Deferred Stock Units are granted, such action is appropriate.

8 . 3 Restricted Period. With respect to Restricted Awards, the Restricted Period shall commence on the Grant Date and end at the time or times set forth on a schedule established by the Committee in the applicable Award Agreement. The Committee may, but shall not be required to, provide for an acceleration of vesting in the terms of any Award Agreement upon the occurrence of a specified event.

8 . 4 Delivery of Restricted Stock and Settlement of Restricted Stock Units. Upon the expiration of the Restricted Period with respect to any shares of Restricted Stock, the restrictions set forth in Section 8.2 and the applicable Award Agreement shall be of no further force or effect with respect to such shares, except as set forth in the applicable Award Agreement. If an escrow arrangement is used, upon such expiration, the Company shall deliver to the Participant, or his or her beneficiary, without charge, the stock certificate evidencing the shares of Restricted Stock which have not then been forfeited and with respect to which the Restricted Period has expired (to the nearest full share) and any cash dividends or stock dividends credited to the Participant's account with respect to such Restricted Stock and the interest thereon, if any. Upon the expiration of the Restricted Period with respect to any outstanding Restricted Stock Units, or at the expiration of the deferral period with respect to any outstanding Deferred Stock Units, the Company shall deliver to the Participant, or his or her beneficiary, without charge, one share of Common Stock for each such outstanding vested Restricted Stock Unit or Deferred Stock Unit ("**Vested Unit**") and cash equal to any Dividend Equivalents credited with respect to each such Vested Unit in accordance with Section 8.1(b) hereof and the interest thereon or, at the discretion of the Committee, in shares of Common Stock having a Fair Market Value equal to such Dividend Equivalents and the interest thereon, if any; *provided, however*, that, if explicitly provided in the applicable Award Agreement, the Committee may, in its sole discretion, elect to pay cash or part cash and part Common Stock in lieu of delivering only shares of Common Stock for Vested Units. If a cash payment is made in lieu of delivering shares of Common Stock, the amount of such payment shall be equal to the Fair Market Value of the Common Stock as of the date on which the Restricted Period lapsed in the case of Restricted Stock Units, or the delivery date in the case of Deferred Stock Units, with respect to each Vested Unit.

8 . 5 Stock Restrictions. Each certificate representing Restricted Stock awarded under the Plan shall bear a legend in such form as the Company deems appropriate.

9 . Performance Share Awards. Each Performance Share Award granted under the Plan shall be evidenced by an Award Agreement. Each Performance Share Award so granted shall be subject to the conditions set forth in this Section 9, and to such other conditions not inconsistent with the Plan as may be reflected in the applicable Award Agreement. The Committee shall have the discretion to determine: (a) the number of shares of Common Stock or stock-denominated units subject to a Performance Share Award granted to any Participant; (b) the Performance Period applicable to any Award; (c) the conditions that must be satisfied for a Participant to earn an Award; and (d) the other terms, conditions and restrictions of the Award.

9 . 1 Earning Performance Share Awards The number of Performance Shares earned by a Participant will depend on the extent to which the performance goals established by the Committee are attained within the applicable Performance Period, as determined by the Committee.

10. Other Equity-Based Awards and Cash Awards . The Committee may grant Other Equity-Based Awards, either alone or in tandem with other Awards, in such amounts and subject to such conditions as the Committee shall determine in its sole discretion. Each Equity-Based Award shall be evidenced by an Award Agreement and shall be subject to such conditions, not inconsistent with the Plan, as may be reflected in the applicable Award Agreement. The Committee may grant Cash Awards in such amounts and subject to such Performance Goals, other vesting conditions, and such other terms as the Committee determines in its discretion. Cash Awards shall be evidenced in such form as the Committee may determine.

11 . Securities Law Compliance. Each Award Agreement shall provide that no shares of Common Stock shall be purchased or sold thereunder unless and until: (a) any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel; and (b) if required to do so by the Company, the Participant has executed and delivered to the Company a letter of investment intent in such form and containing such provisions as the Committee may require. The Company shall use reasonable efforts to seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell shares of Common Stock upon exercise of the Awards; *provided, however*, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Award or any Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Awards unless and until such authority is obtained.

12. Use of Proceeds from Stock. Proceeds from the sale of Common Stock pursuant to Awards, or upon exercise thereof, shall constitute general funds of the Company.

13. Miscellaneous.

13.1 Acceleration of Exercisability and Vesting. The Board, upon unanimous consent of all the Directors, shall have the power to accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

13.2 Shareholder Rights. Except as provided in the Plan or an Award Agreement, no Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Award unless and until such Participant has satisfied all requirements for exercise of the Award pursuant to its terms and no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the date such Common Stock certificate is issued, except as provided in Section 14 hereof.

13.3 No Employment or Other Service Rights. Nothing in the Plan or any instrument executed or Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or shall affect the right of the Company or an Affiliate to terminate: (a) the employment of an Employee with or without notice and with or without Cause; or (b) the service of a Director pursuant to the By-laws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

13.4 Transfer; Approved Leave of Absence. For purposes of the Plan, no termination of employment by an Employee shall be deemed to result from either (a) a transfer of employment to the Company from an Affiliate or from the Company to an Affiliate, or from one Affiliate to another, or (b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the Employee's right to reemployment is guaranteed either by a statute or by contract or under the policy pursuant to which the leave of absence was granted or if the Committee otherwise so provides in writing, in either case, except to the extent inconsistent with Section 409A of the Code if the applicable Award is subject thereto.

13.5 Withholding Obligations. To the extent provided by the terms of an Award Agreement and subject to the discretion of the Committee, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under an Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award, *provided, however*, that no shares of Common Stock are withheld with a value exceeding the maximum amount of tax required to be withheld by law; or (c) delivering to the Company previously owned and unencumbered shares of Common Stock of the Company.

14. Adjustments Upon Changes in Stock. In the event of changes in the outstanding Common Stock or in the capital structure of the Company by reason of any stock or extraordinary cash dividend, stock split, reverse stock split, an extraordinary corporate transaction such as any recapitalization, reorganization, merger, consolidation, combination, exchange, or other relevant change in capitalization occurring after the Grant Date of any Award, Awards granted under the Plan and any Award Agreements, the exercise price of Options and Stock Appreciation Rights, the Performance Goals to which Performance Share Awards and Cash Awards are subject, the maximum number of shares of Common Stock subject to all Awards stated in Section 4 will be equitably adjusted or substituted, as to the number, price or kind of a share of Common Stock or other consideration subject to such Awards to the extent necessary to preserve the economic intent of such Award. In the case of adjustments made pursuant to this Section 14, unless the Committee specifically determines that such adjustment is in the best interests of the Company or its Affiliates, the Committee shall, in the case of Incentive Stock Options, ensure that any adjustments under this Section 14 will not constitute a modification, extension or renewal of the Incentive Stock Options within the meaning of Section 424(h)(3) of the Code and in the case of Non-qualified Stock Options, ensure that any adjustments under this Section 14 will not constitute a modification of such Non-qualified Stock Options within the meaning of Section 409A of the Code. Any adjustments made under this Section 14 shall be made in a manner which does not adversely affect the exemption provided pursuant to Rule 16b-3 under the Exchange Act. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

15. Effect of Change in Control.

15.1 Unless otherwise provided in an Award Agreement, notwithstanding any provision of the Plan to the contrary:

(a) In the event of a Participant's termination of Continuous Service without Cause or for Good Reason during the 12-month period following a Change in Control, notwithstanding any provision of the Plan or any applicable Award Agreement to the contrary, all outstanding Options and Stock Appreciation Rights shall become immediately exercisable with respect to 100% of the shares subject to such Options or Stock Appreciation Rights, and/or the Restricted Period shall expire immediately with respect to 100% of the outstanding shares of Restricted Stock or Restricted Stock Units as of the date of the Participant's termination of Continuous Service.

(b) With respect to Performance Share Awards and Cash Awards, in the event of a Participant's termination of Continuous Service without Cause or for Good Reason, in either case, within 12 months following a Change in Control, all Performance Goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions will be deemed met as of the date of the Participant's termination of Continuous Service.

To the extent practicable, any actions taken by the Committee under the immediately preceding clauses (a) and (b) shall occur in a manner and at a time which allows affected Participants the ability to participate in the Change in Control with respect to the shares of Common Stock subject to their Awards.

15.2 In addition, in the event of a Change in Control, the Committee may in its discretion and upon at least ten days' advance notice to the affected persons, cancel any outstanding Awards and pay to the holders thereof, in cash or stock, or any combination thereof, the value of such Awards based upon the price per share of Common Stock received or to be received by other shareholders of the Company in the event. In the case of any Option or Stock Appreciation Right with an exercise price (or SAR Exercise Price in the case of a Stock Appreciation Right) that equals or exceeds the price paid for a share of Common Stock in connection with the Change in Control, the Committee may cancel the Option or Stock Appreciation Right without the payment of consideration therefor.

15.3 The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to all or substantially all of the assets and business of the Company and its Affiliates, taken as a whole.

16. Amendment of the Plan and Awards

16.1 Amendment of Plan. The Board at any time, and from time to time, may amend or terminate the Plan. However, except as provided in Section 14 relating to adjustments upon changes in Common Stock and Section 16.3, no amendment shall be effective unless approved by the shareholders of the Company to the extent shareholder approval is necessary to satisfy any Applicable Laws. At the time of such amendment, the Board shall determine, upon advice from counsel, whether such amendment will be contingent on shareholder approval.

16.2 Shareholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for shareholder approval.

16.3 Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees, Consultants and Directors with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options or to the nonqualified deferred compensation provisions of Section 409A of the Code and/or to bring the Plan and/or Awards granted under it into compliance therewith.

16.4 No Impairment of Rights. Rights under any Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless: (a) the Company requests the consent of the Participant; and (b) the Participant consents in writing.

16.5 Amendment of Awards. The Committee at any time, and from time to time, may amend the terms of any one or more Awards; *provided, however*, that the Committee may not affect any amendment which would otherwise constitute an impairment of the rights under any Award unless: (a) the Company requests the consent of the Participant; and (b) the Participant consents in writing.

17. General Provisions.

17.1 Forfeiture Events. The Committee may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain events, in addition to applicable vesting conditions of an Award. Such events may include, without limitation, breach of non-competition, non-solicitation, confidentiality, or other restrictive covenants that are contained in the Award Agreement or otherwise applicable to the Participant, a termination of the Participant's Continuous Service for Cause, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Affiliates.

17.2 Clawback. Notwithstanding any other provisions in this Plan, the Company may cancel any Award, require reimbursement of any Award by a Participant, and effect any other right of recoupment of equity or other compensation provided under the Plan in accordance with any Company policies that may be adopted and/or modified from time to time ("**Clawback Policy**"). In addition, a Participant may be required to repay to the Company previously paid compensation, whether provided pursuant to the Plan or an Award Agreement, in accordance with the Clawback Policy. By accepting an Award, the Participant is agreeing to be bound by the Clawback Policy, as in effect or as may be adopted and/or modified from time to time by the Company in its discretion (including, without limitation, to comply with applicable law or stock exchange listing requirements).

17.3 Other Compensation Arrangements. Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

17.4 Sub-Plans. The Committee may from time to time establish sub-plans under the Plan for purposes of satisfying securities, tax or other laws of various jurisdictions in which the Company intends to grant Awards. Any sub-plans shall contain such limitations and other terms and conditions as the Committee determines are necessary or desirable. All sub-plans shall be deemed a part of the Plan, but each sub-plan shall apply only to the Participants in the jurisdiction for which the sub-plan was designed.

17.5 Intentionally Left Blank.

17.6 Unfunded Plan. The Plan shall be unfunded. Neither the Company, the Board nor the Committee shall be required to establish any special or separate fund or to segregate any assets to assure the performance of its obligations under the Plan.

17.7 Recapitalizations. Each Award Agreement shall contain provisions required to reflect the provisions of Section 14.

17.8 Delivery. Upon exercise of a right granted under this Plan, the Company shall issue Common Stock or pay any amounts due within a reasonable period of time thereafter. Subject to any statutory or regulatory obligations the Company may otherwise have, for purposes of this Plan, 30 days shall be considered a reasonable period of time.

17.9 No Fractional Shares. No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan. The Committee shall determine whether cash, additional Awards or other securities or property shall be issued or paid in lieu of fractional shares of Common Stock or whether any fractional shares should be rounded, forfeited or otherwise eliminated.

17.10 Other Provisions. The Award Agreements authorized under the Plan may contain such other provisions not inconsistent with this Plan, including, without limitation, restrictions upon the exercise of Awards, as the Committee may deem advisable.

17.11 Section 409A. The Plan is intended to comply with Section 409A of the Code to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless Applicable Laws require otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required to avoid accelerated taxation and tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to the Plan during the six month period immediately following the Participant's termination of Continuous Service shall instead be paid on the first payroll date after the six-month anniversary of the Participant's separation from service (or the Participant's death, if earlier). Notwithstanding the foregoing, neither the Company nor the Committee shall have any obligation to take any action to prevent the assessment of any additional tax or penalty on any Participant under Section 409A of the Code and neither the Company nor the Committee will have any liability to any Participant for such tax or penalty.

17.12 Disqualifying Dispositions. Any Participant who shall make a "disposition" (as defined in Section 424 of the Code) of all or any portion of shares of Common Stock acquired upon exercise of an Incentive Stock Option within two years from the Grant Date of such Incentive Stock Option or within one year after the issuance of the shares of Common Stock acquired upon exercise of such Incentive Stock Option (a "**Disqualifying Disposition**") shall be required to immediately advise the Company in writing as to the occurrence of the sale and the price realized upon the sale of such shares of Common Stock.

17.13 Section 16. It is the intent of the Company that the Plan satisfy, and be interpreted in a manner that satisfies, the applicable requirements of Rule 16b-3 as promulgated under Section 16 of the Exchange Act so that Participants will be entitled to the benefit of Rule 16b-3, or any other rule promulgated under Section 16 of the Exchange Act, and will not be subject to short-swing liability under Section 16 of the Exchange Act. Accordingly, if the operation of any provision of the Plan would conflict with the intent expressed in this Section 17.13, such provision to the extent possible shall be interpreted and/or deemed amended so as to avoid such conflict.

17.14 Beneficiary Designation. Each Participant under the Plan may from time to time name any beneficiary or beneficiaries by whom any right under the Plan is to be exercised in case of such Participant's death. Each designation will revoke all prior designations by the same Participant, shall be in a form reasonably prescribed by the Committee and shall be effective only when filed by the Participant in writing with the Company during the Participant's lifetime.

17.15 Expenses. The costs of administering the Plan shall be paid by the Company.

17.16 Severability. If any of the provisions of the Plan or any Award Agreement is held to be invalid, illegal or unenforceable, whether in whole or in part, such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability and the remaining provisions shall not be affected thereby.

17.17 Plan Headings. The headings in the Plan are for purposes of convenience only and are not intended to define or limit the construction of the provisions hereof.

17.18 Non-Uniform Treatment. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among persons who are eligible to receive, or actually receive, Awards. Without limiting the generality of the foregoing, the Committee shall be entitled to make non-uniform and selective determinations, amendments and adjustments, and to enter into non-uniform and selective Award Agreements.

18. Effective Date of Plan. The Plan shall become effective as of the Effective Date, but no Award shall be exercised (or, in the case of a stock Award, shall be granted) unless and until the Plan has been approved by the shareholders of the Company, which approval shall be within 12 months before or after the date the Plan is adopted by the Board.

19. Termination or Suspension of the Plan. The Plan shall terminate automatically ten years from the Effective Date. No Award shall be granted pursuant to the Plan after such date, but Awards theretofore granted may extend beyond that date. The Board may suspend or terminate the Plan at any earlier date pursuant to Section 16.1 hereof. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

20. Choice of Law. The law of the State of Nevada shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of law rules.

As adopted by the Board of Directors of the Company on June 15, 2020.

As approved by the shareholders of the Company on _____, 2020.

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

I, Jon Niermann, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Loop Media, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 16, 2020

/s/ Jon Niermann

Jon Niermann
Chief Executive Officer
(Principal Executive Officer)

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

I, James J. Cerna, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Loop Media, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: November 16, 2020

/s/ James Cerna
James Cerna
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Loop Media, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jon Niermann, Chief Executive Officer of the Company, hereby certify pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 16, 2020

/s/ Jon Niermann

Jon Niermann
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Loop Media, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James J. Cerna, Jr., Chief Financial Officer of the Company, hereby certify pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 16, 2020

/s/ James Cerna
James Cerna
Chief Financial Officer
