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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

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: 001-37899

ALLIANCE MMA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

47-5412331
(I.R.S. Employer
Identification No.)

590 Madison Avenue, 21st Floor
New York, New York 10022
(Address of principal executive offices)

(212) 739-7825

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

Number of shares of the registrant's common stock outstanding at May 15, 2018: 14,862,974.

**Alliance MMA
Form 10-Q**

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Cautionary Statement Regarding Forward-Looking Statements

Certain statements that we make from time to time, including statements contained in this Quarterly Report on Form 10-Q constitute “forward-looking statements” within the meaning Private Securities Litigation Reform Act of 1995, and of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical fact contained in this Form 10-Q are forward-looking statements. These statements, among other things, relate to our business strategy, goals and expectations concerning our future operations, prospects, plans and objectives of management. The words “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, and similar terms and phrases are used to identify forward-looking statements in this presentation.

We operate in a very competitive and rapidly changing environment. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. Forward-looking statements in this Form 10-Q include, without limitation, statements reflecting management’s expectations for future financial performance and operating expenditures (including our ability to continue as a going concern, to raise additional capital and to succeed in our future operations), expected growth, profitability and business outlook, increased sales and marketing expenses, and the expected results from the integration of our acquisitions.

Forward-looking statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from those anticipated by such statements. These factors include, among other things, the unknown risks and uncertainties that we believe could cause actual results to differ from these forward looking statements as set forth under the heading, “Risk Factors” and elsewhere in this Form 10-Q. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all of the risks and uncertainties that could have an impact on the forward-looking statements, including without limitation, risks and uncertainties relating to:

- Our ability to obtain and maintain sufficient working capital financing on acceptable terms to continue as a going concern;
- Our ability to sustain our innovative business model in the MMA industry;
- Our ability to maintain our expansion strategy, acquire additional regional MMA promotion companies and continue organic growth in the market;
- Our ability to conduct future acquisitions without potentially dilutive issuances of equity securities, the incurrence of indebtedness or an increased amortization expense;
- Our ability to meet continuing listing standards on the NASDAQ Capital Market, including its requirement that the minimum bid price for our common stock be at or above \$1.00; a standard we are not currently meeting;
- Our ability to secure sponsorships for our fighters, and for our live and televised events;
- Our ability to keep pace with the extremely competitive market for live and televised MMA events and for MMA video content;
- Our ability to attract and retain successful professional fighters for the promotion of events that are appealing to fans and sponsors;
- Our ability to promote a sufficiently large number of events and bouts so that fighters are incentivized to commit to multi-fight agreements;
- Our ability to command the attention of the UFC and other premier MMA promotions seeking professional fighters to promote on a national and/or international platform;
- Our ability to produce high-quality media content on a consistent basis to secure television and other media distribution arrangements; and
- Our ability to increase brand awareness and market acceptance in the relevant geographic market.

Although we believe that the expectations reflected in the forward-looking statements contained in this Form 10-Q are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. In light of inherent risks, uncertainties and assumptions, the future events and trends discussed in this Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Except as required by law, we are under no duty to update or revise any of such forward-looking statements, whether as a result of new information, future events, or otherwise, after the date of this Form 10-Q.

You should read this Form 10-Q with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

All references to “Alliance,” “Alliance MMA,” “we,” “us,” “our” or the “Company” mean Alliance MMA, Inc., a Delaware corporation, and where appropriate, its wholly owned subsidiaries.

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

Alliance MMA, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 155,315	\$ 348,197
Accounts receivable, net	262,420	225,787
Prepaid and other assets	68,799	71,250
Total current assets	486,534	645,234
Property and equipment, net	241,402	259,463
Intangible assets, net	2,725,022	2,887,094
Goodwill	3,334,312	5,963,537
TOTAL ASSETS	\$ 6,787,270	\$ 9,755,328
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 514,382	\$ 930,168
Customer deposits	269,819	56,738
Earn out liability	310,000	310,000
Note payable	-	300,000
Total current liabilities	1,094,201	1,596,906
Long-term deferred tax liabilities	-	23,943
TOTAL LIABILITIES	1,094,201	1,620,849
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.001 par value; 5,000,000 shares authorized at March 31, 2018 and December 31, 2017; no shares issued and outstanding	-	-
Common stock, \$.001 par value; 45,000,000 shares authorized at March 31, 2018 and December 31, 2017; 14,862,974 and 12,662,974 shares issued and outstanding, respectively	14,863	12,663
Additional paid-in capital	26,706,539	24,646,229
Accumulated deficit	(21,028,333)	(16,524,413)
TOTAL STOCKHOLDERS' EQUITY	5,693,069	8,134,479
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,787,270	\$ 9,755,328

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

Alliance MMA, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended	
	March 31,	
	2018	2017
Revenue, net	\$ 1,081,759	\$ 754,830
Cost of revenue	650,802	470,572
Gross margin	430,957	284,258
Operating expenses:		
General and administrative	1,924,238	2,225,404
Impairment - goodwill	2,629,225	-
Professional and consulting fees	405,357	428,288
Total operating expenses	4,958,820	2,653,692
Loss from operations	(4,527,863)	(2,369,434)
Other expense	-	399
Loss before income tax benefit	(4,527,863)	(2,369,833)
Income tax benefit	23,943	-
Net loss	\$ (4,503,920)	\$ (2,369,833)
Net loss per share, basic and diluted	\$ (0.31)	\$ (0.25)
Weighted average shares used to compute net loss per share, basic and diluted	14,595,196	9,344,226

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

Alliance MMA, Inc.
Condensed Consolidated Statement of Changes In Stockholders' Equity
(Unaudited)

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance—December 31, 2016	—	\$ —	9,022,308	\$ 9,022	\$18,248,582	\$ (4,545,850)	\$ 13,711,754
Stock based compensation related to employee stock option grants	—	—	—	—	548,597	—	548,597
Issuance of common stock and warrant related to acquisition of SuckerPunch	—	—	307,487	307	1,328,540	—	1,328,847
Issuance of common stock related to acquisition of Fight Time Promotions	—	—	74,667	75	287,393	—	287,468
Stock based compensation related to warrant issued for consulting services	—	—	—	—	169,401	—	169,401
Issuance of common stock related to acquisition of National Fighting Championships	—	—	273,304	273	365,954	—	366,227
Issuance of common stock related to acquisition of Fight Club OC	—	—	693,000	693	810,117	—	810,810
Issuance of common stock related to acquisition of Sheffield video library	—	—	5,556	6	8,494	—	8,500
Stock based compensation related to common stock issued for consulting services	—	—	150,000	150	148,350	—	148,500
Issuance of common stock units and warrants related to private placement	—	—	1,868,761	1,869	2,010,631	—	2,012,500
Issuance of common stock related to acquisition of Victory Fighting Championship	—	—	267,891	268	642,670	—	642,938
Stock based compensation related to option award for consulting services	—	—	—	—	77,500	—	77,500
Net loss	—	—	—	—	—	(11,978,563)	(11,978,563)
Balance—December 31, 2017	—	\$ —	12,662,974	\$ 12,663	\$24,646,229	\$ (16,524,413)	\$ 8,134,479
Stock based compensation related to employee stock option grants	—	—	—	—	78,510	—	78,510
Stock based compensation related to warrant issued for consulting services	—	—	—	—	38,000	—	38,000
Issuance of common stock related to public offering	—	—	2,200,000	2,200	1,943,800	—	1,946,000
Net loss	—	—	—	—	—	(4,503,920)	(4,503,920)
Balance—March 31, 2018	—	\$ —	14,862,974	\$ 14,863	26,706,539	\$ (21,028,333)	\$ 5,693,069

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

Alliance MMA, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended	
	March 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,503,920)	\$ (2,369,833)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	116,510	319,729
Amortization of acquired intangibles	162,072	517,376
Impairment - goodwill	2,629,225	-
Depreciation of fixed assets	44,757	22,920
Changes in operating assets and liabilities:		
Accounts receivable	(36,633)	(190,123)
Prepaid and other assets	2,451	18,386
Accounts payable and accrued liabilities	(226,648)	424,922
Net cash used in operating activities	<u>(1,812,186)</u>	<u>(1,256,623)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of SuckerPunch	-	(357,500)
Purchase of Fight Time Promotions	-	(84,000)
Purchase of Sheffield video library	-	(25,000)
Purchase of fixed assets	(26,696)	(58,151)
Net cash used in investing activities	<u>(26,696)</u>	<u>(524,651)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	1,946,000	-
Payment on loan payable	(300,000)	-
Net cash provided by financing activities	<u>1,646,000</u>	<u>-</u>
NET DECREASE IN CASH	(192,882)	(1,781,274)
CASH - BEGINNING OF PERIOD	348,197	4,678,473
CASH - END OF PERIOD	<u>\$ 155,315</u>	<u>\$ 2,897,199</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 45,000</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Stock issued in conjunction with acquisition of SuckerPunch	<u>\$ -</u>	<u>\$ 1,328,847</u>
Stock issued in conjunction with acquisition of Fight Time Promotions	<u>\$ -</u>	<u>\$ 287,468</u>

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

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1. Description of Business and Basis of Presentation

Nature of Business

Alliance MMA, Inc. (“Alliance” or the “Company”) is a sports media company combining premier regional mixed martial arts (“MMA”) promotions with event ticketing and fighter management services. Alliance was formed in Delaware in February 2015.

During 2017, the Company executed its roll-up strategy and acquired the businesses of additional regional MMA promotions, an MMA ticketing platform, and a fighter management company to form the operations of Alliance. As of March 31, 2018, the Company operates the following businesses:

Promotions

- CFFC Promotions (“CFFC”);
- Hoosier Fight Club (“HFC”);
- COmbat GAMES MMA (“COGA”);
- Shogun Fights (“Shogun”);
- V3 Fights (“V3”);
- Iron Tiger Fight Series (“IT Fight Series” or “ITFS”);
- Fight Time Promotions (“Fight Time”);
- National Fighting Championships (“NFC”);
- Fight Club Orange County (“FCOC” or “Fight Club OC”); and
- Victory Fighting Championship (“Victory”).

Ticketing

- CageTix.

Sports Management

- SuckerPunch Holdings, Inc. (“SuckerPunch”).

As an adjunct to the promotion business, Alliance provides video, distribution and archiving through Alliance Sports Media (“ASM”).

Change of Management

In February 2018, the Company’s Chief Executive Officer resigned his position but remained Chairman of the board and Director through May 1, 2018. The Company terminated the employment of the Company’s President, Robert Haydak, and its Chief Marketing Officer, James Byrne. Robert Mazzeo became the Company’s acting Chief Executive Officer effective February 7, 2018.

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Liquidity and Going Concern

The Company's primary need for liquidity is to fund the working capital needs of the business, planned capital expenditures, potential acquisitions, and general corporate purposes. The Company has incurred losses and experienced negative operating cash flows since the inception of operations in October 2016.

The Company has focused primarily on building out a domestic MMA platform, expanding the existing media library of live MMA events, and developing a professional corporate infrastructure to support long-term goals.

In August 2017, the Company completed a capital raise of \$1.5 million through the private placement of 1,500,000 units, which consist of one share of common stock and a warrant to purchase one share of common stock for \$1.50.

In October and November 2017, the Company completed a capital raise of \$487,500 through the private placement of 390,000 units, which consist of one share of common stock and a warrant to purchase common stock for \$1.75.

In January 2018, the Company completed a capital raise of \$2,150,000 gross, through the public placement of 2,150,000 units, which consist of one common share and .90 of a warrant to purchase common stock, totaling 1,935,000 warrants. The warrants have a five-year term and an exercise price of \$1.10 per share.

In February 2018, the underwriter exercised their overallotment option resulting in the sale of an additional 50,000 shares for \$50,000 and issuance of an additional 272,500 warrants.

Management continually holds discussions with prospective sponsors and is endeavouring to increase sponsorship revenue during 2018. Additionally, management is in discussions with national and regional casinos to promote MMA events that are anticipated to produce better margins through a reduction in event costs.

Many challenges are associated with successfully executing our business plan. The Company currently has virtually no cash on hand, has an accumulated deficit of approximately \$21.0 million, has consistently experienced quarterly net losses and negative cash flows, and is operating with negative working capital, all indicating there is substantial doubt with respect to our ability to continue as a going concern. As of the date of this report, the Company has insufficient cash to support the business for at least one year from the date of this report. Unless the Company can generate sufficient revenue to cover operating costs, which it has not been able to do, it will need to continue to raise capital by selling shares of common stock or by borrowing funds. Management cannot provide any assurances that the Company will generate sufficient revenue to continue as a going concern or that it will be successful in raising capital on commercially reasonable terms or at all.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying interim unaudited condensed consolidated financial statements as of March 31, 2018 and December 31, 2017, and for the three months ended March 31, 2018 and 2017, have been prepared by the Company in accordance with generally accepted accounting principles ("GAAP") in the United States ("U.S.") for interim financial information. The amounts as of December 31, 2017 have been derived from the Company's annual audited consolidated financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted in accordance with such rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary (consisting of normal recurring adjustments) to state fairly the financial position of the Company and its results of operations, changes in stockholders' equity and cash flows as of and for the periods presented. These financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2017, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed on April 16, 2018 (the "Form 10-K"). The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results for the year ending December 31, 2018 or any future period and the Company makes no representations related thereto.

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the unaudited condensed consolidated financial statements and accompanying notes. These estimates relate to revenue recognition, the assessment of recoverability of goodwill and intangible assets, range of possible outcomes of acquisition earn-out accruals, the assessment of useful lives and the recoverability of property and equipment, the valuation and recognition of stock-based compensation expense, loss contingencies, and income taxes. Actual results could differ materially from those estimates.

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Revenue Recognition

Promotion Revenue

The Company recognizes revenue, net of sales tax, when it satisfies a performance obligation by transferring control over a product or service to a customer. Revenue from admission, sponsorship, pay per view (“PPV”), apparel, and concession are recognized at a point in time when an event is exhibited to a customer live or PPV, and when a customer takes possession of apparel or food and beverage offerings.

Ticket Service Revenue

The Company acts as a ticket agent for third-party and in-house ticket sales and charges a fee per transaction for collecting the cash on ticket sales and remits the remaining net amount to the third-party promoter upon completion of the event or request from the promoter. The Company’s ticket service fee is recognized when it satisfies the performance obligation by transferring control of the purchased ticket to a customer.

Fighter Commission Revenue

The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The Company recognizes commission revenue upon the completion of a contracted athletes performance.

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Business Combinations

The Company includes the results of operations of the businesses that it has acquired in its consolidated results as of the respective dates of acquisition.

The Company allocates the fair value of the purchase consideration of its acquisitions to the tangible assets, liabilities and intangible assets acquired, based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. The primary items that generate goodwill include the value of the synergies between the acquired businesses and Alliance as well as the acquired assembled workforce, neither of which qualifies as an identifiable intangible asset. The fair value of contingent consideration associated with acquisitions is remeasured each reporting period and adjusted accordingly. Acquisition and integration related costs are recognized separately from the business combination and are expensed as incurred.

We allocate goodwill to the reporting units of the business that are expected to benefit from the business combination.

For additional information regarding the Company's acquisitions, refer to "Note 4 Business Combinations."

Goodwill and Purchased Identified Intangible Assets

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and identified intangible assets acquired under a business combination. Goodwill also includes acquired assembled workforce, which does not qualify as an identifiable intangible asset. The Company reviews impairment of goodwill annually in the fourth quarter, or more frequently if events or circumstances indicate that the goodwill might be impaired. The Company first assesses qualitative factors to determine whether it is necessary to perform the quantitative goodwill impairment test. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative goodwill impairment test is unnecessary. If, based on the qualitative assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company proceeds to perform the quantitative goodwill impairment test. The Company first determines the fair value of a reporting unit using weighted results derived from an income approach and a market approach. The income approach is estimated through the discounted cash flow method based on assumptions about future conditions such as future revenue growth rates, new product and technology introductions, gross margins, operating expenses, discount rates, future economic and market conditions, and other assumptions. The market approach estimates the fair value of the Company's equity by utilizing the market comparable method which is based on revenue multiples from comparable companies in similar lines of business. The Company then compares the derived fair value of a reporting unit with its carrying amount. If the carrying value of a reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

During the three months ended March 31, 2018, the Company recorded a goodwill impairment charge within the promotion segment of \$2.6 million.

Purchased Identified Intangible Assets

Identified finite-lived intangible assets consist of venue relationships, ticketing software, tradename and brand, fighter contracts, promoter relationships and sponsor relationships, resulting from business combinations. The Company's identified intangible assets are amortized on a straight-line basis over their estimated useful lives, ranging from three to ten years. The Company makes judgments about the recoverability of finite-lived intangible assets whenever facts and circumstances indicate that the useful life is shorter than originally estimated or that the carrying amount of assets may not be recoverable. If such facts and circumstances exist, the Company assesses recoverability by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets. If the useful life is shorter than originally estimated, the Company would accelerate the rate of amortization and amortize the remaining carrying value over the new shorter useful life. The Company evaluates the carrying value of indefinite-lived intangible assets on an annual basis, and an impairment charge would be recognized to the extent that the carrying amount of such assets exceeds their estimated fair value. For further discussion of goodwill and identified intangible assets, see "Note 5-Goodwill and Purchased Identifiable Intangible Assets."

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Advertising Costs

Advertising costs, which are expensed as incurred, totaled approximately \$61,000 and \$31,000 for the three months ended March 31, 2018 and 2017, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation expense in accordance with the authoritative guidance on share-based payments. Under the provisions of the guidance, stock-based compensation expense is measured at the grant date based on the fair value of the option or warrant using a Black-Scholes option pricing model and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. The fair value of the Company's stock awards for non-employees is estimated based on the fair market value on each vesting date, accounted for under the variable-accounting method.

The authoritative guidance on share-based payments also requires that the Company measure and recognize stock-based compensation expense upon modification of the term of the stock award. The stock-based compensation expense for such modification is the sum of any unamortized expense of the award before modification and the modification expense. The modification expense is the incremental amount of the fair value of the award before the modification and the fair value of the award after the modification, measured on the date of modification. In the case when the modification results in a longer requisite period than in the original award, the Company has elected to apply the pool method where the aggregate of the unamortized expense and the modification expense is amortized over the new requisite period on a straight-line basis. In addition, any forfeiture will be based on the original requisite period prior to the modification.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based awards, stock price volatility, and the pre-vesting option forfeiture rate. The Company estimates the expected life of options granted based on the life of the underlying award. The Company estimates the volatility of the Company's common stock on the date of grant based on historical volatility. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and the Company uses different assumptions, its stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. The Company estimates the forfeiture rate based on historical experience of its stock-based awards that are granted, exercised and cancelled. If the actual forfeiture rate is materially different from the estimate, stock-based compensation expense could be significantly different from what was recorded in the current period. The expected levels of achievement are reassessed over the requisite service periods and, to the extent that the expected levels of achievement change, stock-based compensation is adjusted in the period of change and recorded on the statements of operations and the remaining unrecognized stock-based compensation is recorded over the remaining requisite service period. See "Note 8- Stockholders' Equity" for additional detail.

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Segments

Beginning in the fourth quarter of 2017, the Company began reporting its financial results within three reportable segments: (1) Promotions, (2) Ticket Services and (3) Athlete Management. There are certain corporate overhead costs that are not allocated to these reportable segments because these operating amounts are not considered in evaluating the operating performance of the Company's business segments. The Chief Executive Officer is the Chief Operating Decision Maker ("CODM") as defined by the authoritative guidance on segment reporting. The Promotion segment includes all the acquired promotion businesses, video library assets and the video production activities of ASM. The Promotion segment promotes our live MMA events and produces live, PPV, and video on demand content. The Ticket Services segment includes the ticketing services business of CageTix. The Ticketing Services segment provides event ticket services to third parties and AMMA promotions. The Athlete Management Segment includes the acquired athlete management business of SuckerPunch, which provides athlete management services to professional MMA fighters.

The following table sets forth the Company's segment revenue, operating expenses and operating (loss) / income for the three months ended March 31, 2018.

	Promotion	Ticket Service	Athlete Management	Corporate	Total
Revenue	\$ 774,184	\$ 91,333	\$ 191,242	\$ 25,000	\$ 1,081,759
Operating expenses	1,727,621	89,813	162,102	3,630,086	5,609,622
Operating (loss)/income	\$ (953,437)	\$ 1,520	\$ 29,140	\$ (3,605,086)	\$ (4,527,863)

During the first quarter of 2018, the Company recorded a goodwill impairment charge within the Promotion segment of \$2,629,225. Goodwill allocated to the Promotion segment, net of impairment, totaled \$1,811,707, and to the Athlete Management segment totaled \$1,522,605, at March 31, 2018.

Revenue is derived from customers within the United States and it is expected to continue to be a significant portion of revenue in future periods. Operating segments do not record inter-segment revenue.

As of March 31, 2018, all assets were held in the United States. The CODM does not evaluate operating segments using discrete asset information and we do not identify or allocate assets by operating segments.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date.

A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

ASC Topic 740.10.30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740.10.40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company has no material uncertain tax positions for any of the reporting periods presented.

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which amends the existing accounting standards for revenue recognition. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which delays the effective date of ASU 2014-09 by one year. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (ASU 2016-08) which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. The new standard further requires new disclosures about contracts with customers, including the significant judgments the company has made when applying the guidance. We adopted the new standard effective January 1, 2018, using the modified retrospective transition method. The adoption of this guidance did not have a material impact on our unaudited condensed consolidated financial statements, did not impact our previously reported financial statements in any prior period, nor did it result in a cumulative effect adjustment to retained earnings nor effect our internal controls over financial reporting.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18), which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We adopted the new standard effective January 1, 2018, using the retrospective transition approach for all periods presented. The adoption of this guidance did not have a material impact on our unaudited condensed consolidated financial statements.

In January 2017, the FASB issued Accounting Standards Update No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01), which revises the definition of a business and provides new guidance in evaluating when a set of transferred assets and activities is a business. We adopted the new standard effective January 1, 2018, on a prospective basis. The adoption of this guidance did not have a material impact on our unaudited condensed consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting (ASU 2017-09) which provides guidance about which changes to the terms or conditions of a share-based payment awarded require an entity to apply modification accounting. The standard is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company adopted the standard prospectively after the effective date. The adoption of this standard did not have a material impact on its unaudited condensed consolidated financial statements.

On December 22, 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "Act"), which significantly changed U.S. tax law. The Act lowered the Company's U.S. statutory federal income tax rate from 34% to 21% effective January 1, 2018. Accordingly, for the year ended December 31, 2017, we recorded a provisional decrease to deferred tax assets of approximately \$1.4 million, the vast majority of which was correspondingly offset by a decrease to our federal valuation allowance. The deferred tax remeasurement is considered a provisional estimate under the U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 118. As of March 31, 2018, no adjustments have been made to the provisional net tax benefit reported as of the year ended December 31, 2017. The provisional amount is subject to revision as the Company completes its analysis of the Act, collects and prepares necessary data, and interprets any additional guidance issued by the U.S. Treasury Department, Internal Revenue Service, and other standard-setting bodies. The Company anticipates its accounting for the tax effects of the Act will be completed in 2018.

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
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Note 3. Property and Equipment

Property and equipment, net consisted of the following:

	<u>March 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Promotion equipment	\$ 83,185	\$ 83,185
Production equipment	131,534	115,209
Equipment, furniture and other	233,973	223,602
Total property and equipment	448,692	421,976
Less accumulated depreciation and amortization	(207,290)	(162,533)
Total property and equipment, net	<u>\$ 241,402</u>	<u>\$ 259,463</u>

Depreciation and amortization expense for the three months ended March 31, 2018 and 2017 was \$44,757 and \$22,920, respectively.

Note 4. Business Combinations

During 2017, we completed several business acquisitions. We have included the financial results of these business acquisitions in our unaudited condensed consolidated financial statements from their respective dates of acquisition and pro forma financial information of the Company as if all the acquisitions occurred January 1, 2017. Goodwill generated from all business acquisitions was primarily attributable to expected synergies from future growth and potential monetization opportunities.

All acquisitions have been accounted for as business acquisitions, under the acquisition method of accounting.

In connection with respective asset purchase agreements, the Company entered into trademark license agreements to license the trademark used by the underlying MMA business.

The Company completed no acquisitions during the three months ended March 31, 2018.

The following acquisitions were completed during 2017:

SuckerPunch

On January 4, 2017, Alliance MMA acquired the stock of Roundtable Creative, Inc., a Virginia corporation d/b/a SuckerPunch Entertainment, a leading fighter management and marketing company, for an aggregate purchase price of \$1,686,347, of which \$357,500 was paid in cash, \$1,146,927 was paid with the issuance of 307,487 shares of Alliance MMA common stock valued at \$3.73 per share, the fair value of Alliance MMA common stock on January 4, 2017, and \$181,920 was paid with the issuance of a warrant to acquire 93,583 shares of the Company's common stock.

Fight Time

On January 18, 2017, Alliance MMA acquired the mixed martial arts promotion business of Fight Time Promotions, LLC ("Fight Time") for an aggregate consideration of \$371,468, of which \$84,000 was paid in cash and \$287,468 was paid with the issuance of 74,667 shares of the Alliance MMA's common stock valued at \$3.85 per share, the fair value of Alliance MMA common stock on January 18, 2017.

National Fighting Championships

On May 12, 2017, Alliance MMA acquired the mixed martial arts promotion business of Undisputed Productions, LLC, doing business as National Fighting Championships or NFC for an aggregate consideration of \$506,227, of which \$140,000 was paid in cash and \$366,227 was paid with the issuance of 273,304 shares of Alliance MMA common stock valued at \$1.34 per share, the fair value of Alliance MMA common stock on May 12, 2017.

Fight Club Orange County

On June 14, 2017, Alliance MMA acquired the mixed martial arts promotion business of The Englebrecht Company, Inc., doing business as Roy Englebrecht Promotions and Fight Club Orange County, for an aggregate consideration of \$1,018,710, of which \$207,900 was paid in cash and \$810,810 was paid with the issuance of 693,000 shares of the Company's common stock valued at \$1.17 per share, the fair value of Alliance MMA common stock on June 14, 2017.

Victory Fighting Championship

On September 28, 2017, Alliance MMA acquired the mixed martial arts promotion business of Victory Fighting Championship, LLC, doing business as Victory Fighting Championship, for an aggregate consideration of \$822,938, of which \$180,000 was paid in cash and \$642,938 was paid with the issuance of 267,891 shares of the Company's common stock valued at \$2.40 per share, the fair value of Alliance MMA common stock on September 28, 2017.

Alliance MMA, Inc.
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Final Purchase Allocation – SuckerPunch

As consideration for the acquisition of SuckerPunch, the Company delivered the following amounts of cash and shares of common stock.

	Cash	Shares	Warrant Grant	Consideration Paid
SuckerPunch	\$ 357,500	307,487	93,583	\$ 1,686,347

In connection with the acquisition, 108,289 shares of the 307,487 shares of common stock that were issued as part of the purchase price were placed into escrow to guarantee the financial performance of SuckerPunch post-closing. Accordingly, if the gross profit was less than \$265,000 during fiscal year 2017, all 108,289 shares held in escrow will be forfeited. During the first quarter 2018, Management determined the target earn out threshold was not met and as a result, Management anticipates the shares issued in conjunction with the earn out will be returned to the Company, subject to the terms of the respective purchase agreement.

The following table reflects the final allocation of the purchase price for SuckerPunch to identifiable assets, intangible assets, goodwill and identifiable liabilities:

	Final Fair Value
Cash	\$ —
Accounts receivable, net	—
Intangible assets	210,000
Goodwill	1,522,605
Total identifiable assets	\$ 1,732,605
Total identifiable liabilities	(46,258)
Total purchase price	\$ 1,686,347

Final Purchase Allocation – Fight Time Promotions

As consideration for the acquisition of the MMA promotion business of Fight Time, the Company delivered the following amounts of cash and shares of common stock.

	Cash	Shares	Consideration Paid
Fight Time	\$ 84,000	74,667	\$ 371,468

In connection with the business acquisition, 28,000 shares of the 74,667 shares of common stock that were issued as part of the purchase price were placed into escrow to guarantee the financial performance of Fight Time post-closing. Accordingly, if the gross profit of Fight Time was less than \$60,000 during fiscal year 2017, all 28,000 shares held in escrow will be forfeited. During the first quarter 2018, Management entered a separation agreement with the former owner of Fight Time and released the shares held under escrow.

The following table reflects the final allocation of the purchase price for the business of Fight Time to identifiable assets, intangible assets, goodwill and identifiable liabilities:

	Final Fair Value
Cash	\$ —
Accounts receivable	—
Intangible assets	140,000
Goodwill	231,468
Total identifiable assets	\$ 371,468
Total identifiable liabilities	—
Total purchase price	\$ 371,468

During the year ended December 31, 2017 the Company recognized an impairment charge of the intangible assets and goodwill and fully wrote off these assets.

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
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Final Purchase Allocation – National Fighting Championships

As consideration for the acquisition of the MMA promotion business of NFC, the Company delivered the following amounts of cash and shares of common stock.

	Cash	Shares	Consideration Paid
NFC	\$ 140,000	273,304	\$ 506,227

In connection with the business acquisition, 81,991 shares of the 273,304 shares of common stock that were issued as part of the purchase price were placed into escrow to guarantee the financial performance of NFC post-closing. Accordingly, if the gross profit of NFC was less than \$100,000 during the 12-month period following the acquisition, all 81,991 shares held in escrow will be forfeited.

The following table reflects the final allocation of the purchase price for the business of NFC to identifiable assets, intangible assets, goodwill and identifiable liabilities:

	Final Fair Value
Cash	\$ —
Accounts receivable	—
Fixed assets	20,000
Intangible assets	180,000
Goodwill	306,227
Total identifiable assets	\$ 506,227
Total identifiable liabilities	—
Total purchase price	\$ 506,227

Final Purchase Allocation – Fight Club OC

As consideration for the acquisition of the MMA promotion business of Fight Club OC, the Company delivered the following amounts of cash and shares of common stock.

	Cash	Shares	Consideration Paid
Fight Club OC	\$ 207,900	693,000	\$ 1,018,710

In connection with the business acquisition, 258,818 shares of the 693,000 shares of common stock that were issued as part of the purchase price were placed into escrow to guarantee the financial performance of Fight Club OC post-closing. Accordingly, in the event the gross profit of Fight Club OC is less than \$148,500 during the 12-month period following the acquisition, all 258,818 shares held in escrow will be forfeited. Among the assets purchased is a cash balance of \$159,000 related to customer deposits on ticket sales for future 2017 MMA promotion events.

The following table reflects the final allocation of the purchase price for the business of the Fight Club OC to identifiable assets, intangible assets, goodwill and identifiable liabilities, and preliminary pro forma intangible assets and goodwill:

	Final Fair Value
Cash	\$ 159,000
Accounts receivable	—
Intangible assets	270,000
Goodwill	748,710
Total identifiable assets	\$ 1,177,710
Total identifiable liabilities	(159,000)
Total purchase price	\$ 1,018,710

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Final Purchase Allocation – Victory Fighting Championship

As consideration for the acquisition of the MMA promotion business of Victory, the Company delivered the following amounts of cash and shares of common stock.

	Cash	Shares	Consideration Paid
Victory Fighting Championship	\$ 180,000	267,891	\$ 822,938

In connection with the business acquisition, 121,699 shares of the 267,891 shares of common stock that were issued as part of the purchase price were placed into escrow to guarantee the financial performance of Victory post-closing. Accordingly, in the event the gross profit of Victory is less than \$140,000 during the 12-month period following the acquisition, all 121,699 shares held in escrow will be forfeited. Additionally, 146,192 shares were placed into a separate escrow to indemnify the Company for potential additional expenses incurred by Victory prior to the acquisition and to cover any uncollectible accounts receivable.

The following table reflects the final allocation of the purchase price for the business of Victory to identifiable assets, intangible assets, goodwill and identifiable liabilities:

	Final Fair Value
Cash	\$ —
Accounts receivable	32,180
Fixed assets	30,000
Intangible assets	290,000
Goodwill	578,167
Total identifiable assets	\$ 930,347
Total identifiable liabilities	(107,409)
Total purchase price	\$ 822,938

Alliance MMA, Inc.
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Supplemental Pro Forma Information

The following unaudited pro forma financial information assumes SuckerPunch, Fight Time, NFC, FCOC and Victory were combined with Alliance MMA as of January 1, 2017 and includes the impact of purchase accounting. The unaudited pro forma financial information as presented below is for informational purposes only and is based on estimates and assumptions that have been made solely for purposes of developing such pro forma information. This is not necessarily indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of 2017, nor is it necessarily indicative of future results. Consequently, actual results could differ materially from the unaudited pro forma financial information presented below.

The following table presents the pro forma operating results for the three months ended March 31, 2017, as if the acquisitions had been included in the Company's condensed consolidated statements of operations as of January 1, 2017 (unaudited, in thousands):

	<u>Revenue</u>	<u>Earnings (Loss)</u>
Actual for the three months ended March 31, 2017	\$ 0.8	\$ (2.4)
Supplemental pro forma for the three months ended March 31, 2017	\$ 1.1	\$ (4.4)

- (i) **Amortization of intangible assets.** Intangible assets are amortized over their estimated useful lives. The estimated useful lives of acquired intangible assets are based upon the economic benefit expected to be received and the period during which we expect to receive that benefit. For the periods presented amortization expense was approximately \$517,000 offset by proforma adjustments of \$355,000 related to the final valuation adjustments.

Alliance MMA, Inc.
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Note 5. Goodwill and Purchased Identifiable Intangible Assets

Impairment

During the three months ended March 31, 2018, the Company recorded a goodwill impairment charge of \$2.6 million within the promotion segment. The impairment was identified as part of management's review of impairment indicators. Accordingly, it was determined that the recoverable value of the reporting units was less than the carrying value and therefore, an impairment loss was recorded.

Goodwill

The change in the carrying amount of goodwill for the three months ended March 31, 2018 is as follows:

Balance as of December 31, 2017	<u>\$ 5,963,537</u>
Impairment – goodwill	<u>(2,629,225)</u>
Balance as of March 31, 2018	<u><u>\$ 3,334,312</u></u>

Intangible Assets

The change in the carrying amount of intangible assets for the three months ended March 31, 2018 is as follows:

Balance as of December 31, 2017	<u>\$ 2,887,094</u>
Amortization	<u>(162,072)</u>
Balance as of March 31, 2018	<u><u>\$ 2,725,022</u></u>

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Identified intangible assets consist of the following:

Intangible assets	Useful Life	March 31, 2018		
		Gross Assets	Accumulated Amortization	Net
Venue relationships	7 years	\$ 2,410,000	\$ (449,839)	\$ 1,960,161
Ticketing software	3 years	90,000	(45,000)	45,000
Trademark and brand	3 years	610,000	(258,889)	351,111
Fighter contracts	3 years	140,000	(17,500)	122,500
Promoter relationships	6 years	277,099	(44,599)	232,500
Sponsor relationships	4 years	20,000	(6,250)	13,750
Total intangible assets, gross		<u>\$ 3,547,099</u>	<u>\$ (822,077)</u>	<u>\$ 2,725,022</u>

Amortization expense for the three months ended March 31, 2018 and 2017, was \$162,072 and \$517,376, respectively.

As of March 31, 2018, estimated amortization expense for the unamortized acquired intangible assets over the next five years and thereafter is as follows:

Remainder of 2018	\$ 486,214
2019	609,119
2020	441,897
2021	409,952
2022	397,036
Thereafter	380,804
	<u>\$ 2,725,022</u>

Note 6. Debt

Note Payable

In December 2017, the Company entered into a promissory note with an individual for \$300,000 of borrowings for operating capital leading up to our public offering in January 2018. The note had a maturity of 30 days and was paid in full at maturity in January 2018 including interest of \$45,000. The note was personally guaranteed by Joseph Gamberale, one of our board members.

Alliance MMA, Inc.
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Note 7. Commitments and Contingencies

Operating Leases

The Company does not own any real property. The Company's principal executive offices are located at an office complex in New York, New York, which includes approximately twenty thousand square feet of shared office space and services that we are leasing. The lease had an original one-year term that commenced on December 1, 2015, which was renewed until November 30, 2018. The lease allows for the limited use of private offices, conference rooms, mail handling, videoconferencing, and certain other business services.

In November 2016, the Company entered a sublease agreement for office and video production space in Cherry Hill, New Jersey. The lease expires on June 30, 2019.

With the acquisition of FCOC, the Company assumed a lease for office space in Orange County, California. The lease expires in September 2018.

Each of the acquired business operate from home offices or shared office space arrangements.

Rent expense was \$39,051 and \$29,137 for the three months ended March 31, 2018 and 2017, respectively.

As of March 31, 2018, the aggregate minimum lease payments for the years ending December 31, 2018 and 2019 were:

	Lease Obligation
Remainder of 2018	\$ 112,275
2019	66,990
	<u>\$ 179,265</u>

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Contingencies

Legal Proceedings

In conducting our business, we may become involved in legal proceedings. We will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

In April and May 2017, respectively, two purported securities class action complaints—*Shapiro v. Alliance MMA, Inc.*, No. 1:17-cv-2583 (D.N.J.), and *Shulman v. Alliance MMA, Inc.*, No. 1:17-cv-3282 (S.D.N.Y.)—were filed against the Company and certain of its officers in the United States District Court for the District of New Jersey and the United States District Court for the Southern District of New York, respectively. The complaints alleged that the defendants violated certain provisions of the federal securities laws, and purported to seek damages in an amount to be alleged on behalf of a class of shareholders who purchased the Company's common stock pursuant or traceable to the Company's initial public offering. In July 2017, the plaintiffs in the New York action voluntarily dismissed their claim and, on March 8, 2018, the parties reached a settlement to the New Jersey action in which the carrier for our directors and officers liability insurance policy has agreed to cover Alliance's financial obligations, including legal fees, under the settlement arrangement, less a deductible of \$250,000.

In October 2017, a shareholder derivative claim based on the same facts that were alleged in the class action complaints was filed against the directors of the Company in the District Court for the District New Jersey; however, a complaint was not served on the defendants and, on February 2, 2018 the claim was dismissed by the District Court.

Earn Out

Management evaluated the financial performance of CFFC, COGA, HFC, Shogun, V3, CageTix, and IT Fight Series in 2017 compared to the earn out thresholds as described in the respective Asset Purchase Agreements. Based upon management's estimates, the Company recorded an earn out liability in 2017 of approximately \$310,000 related to Shogun's financial results. This estimated amount is subject to revisions as provided in the related Asset Purchase Agreement.

During the first quarter 2018, Management determined the target earn out threshold of SuckerPunch was not met and as a result, management anticipates the shares issued in conjunction with the earn out to be returned to the Company, subject to the terms of the respective asset purchase agreements.

Note 8. Stockholders' Equity

Stock Offering

On January 9, 2018, the Company entered into an Underwriting Agreement (the "Underwriting Agreement") with Maxim Group LLC, acting as sole book-running manager (the "Underwriter"), for a public offering (the "Offering") of a combination of 2,150,000 shares of common stock, par value \$0.001 per share (the "Common Stock") of the Company, and 1,935,000 warrants to purchase 1,935,000 shares of Common Stock (the "Warrants"). Each share of Common Stock was sold in combination with a Warrant to purchase 0.90 shares of Common Stock. The Warrants have a five-year term and an exercise price of \$1.10 per share. The Offering price was \$1.00 per share of Common Stock and related Warrant and the Underwriter had agreed to purchase the shares of Common Stock and related Warrants from the Company at a 7.0% discount to the Offering price. In addition, the Company granted to the Underwriter a 45-day option to purchase up to an additional 322,500 shares of Common Stock and/or 290,250 Warrants to purchase 290,250 shares of Common Stock at the same price to cover over-allotments, if any. The underwriter exercised this option in February 2018 resulting in an additional \$50,000 from the sale and issuance of 50,000 shares and 272,500 warrants. The Underwriting Agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Underwriter, including for liabilities under the Securities Act of 1933, as amended, other obligations of the parties and termination provisions.

The gross proceeds to the Company from the Offering and overallotment were approximately \$2.2 million before underwriting discounts and commissions and other offering expenses.

The Offering was made pursuant to an effective shelf registration statement on Form S-3 that was declared effective by the Securities and Exchange Commission on December 1, 2017 and a prospectus supplement, dated January 9, 2018, together with the accompanying base prospectus.

One of our board members, Joseph Gamberale, participated in the offering and acquired 25,000 units which included 22,500 warrants.

Common Stock Private Placements

In July 2017, the board of directors approved the issuance of up to \$2.5 million of our common stock in one or more private placements.

In July 2017, Board members and an employee executed subscription agreements for 513,761 units at a purchase price of \$1.09 per unit. In

August 2017, the Company determined that the amount raised through such sales was insufficient to meet its current needs, and accordingly solicited subscription agreements from third parties for 965,000 units at \$1.00 per unit. Each unit sold in these placements consists of one restricted share of AMMA common stock and a warrant to acquire one share of common stock at an exercise price of \$1.50 per share. The Company issued all 1,478,761 shares of common stock sold in these placements on August 29, 2017.

In October and November 2017, the Company solicited subscription agreements from third parties for 390,000 units at \$1.25 per unit. Each unit sold in the placement consists of one restricted share of AMMA common stock and a warrant to acquire one share of common stock at an exercise price of \$1.75 per share.

Common Stock Grant

In February 2017, the Company entered a consulting arrangement with DC Consulting for management consulting services with a term of one year and included the grant of 150,000 shares subject to board of director approval. In July 2017, the Company issued the 150,000 restricted shares to DC Consulting under the arrangement and recognized stock-based compensation of approximately \$148,000, the fair value of the shares on the date of issuance, in relation to the common stock grant.

Option Grants

In August 2016, the Company entered into an employment agreement with John Price as the Company's Chief Financial Officer. In connection with Mr. Price's employment he was awarded a stock option grant to acquire 200,000 shares of the Company's common stock. The Stock option has a term of 10 years, an exercise price of \$4.50, and a grant date fair value of \$364,326, and vests one third of the shares on the one year anniversary of the grant date and one third annually thereafter.

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Stock Option Plan

On December 19, 2016, the Board of Directors of the Company awarded stock option grants under the 2016 Equity Incentive Plan to four employees to acquire an aggregate of 200,000 shares of the Company's common stock. The stock options have a term of 10 years and an exercise price of \$3.56 per share, vest annually over three years in three equal tranches and have a grant date fair value of \$497,840. The Company determined the fair value of the stock options using the Black-Scholes model. Each award was accepted by the recipient during the first quarter 2017 at which point the Company began to recognize stock-based compensation expense.

On February 1, 2017, the Company entered into an employment agreement with James Byrne as the Company's Chief Marketing Officer. In connection with Mr. Byrne's employment he was awarded a stock option grant to acquire 100,000 shares of the Company's common stock. The stock option has a term of 5 years, an exercise price of \$3.55, and a grant date fair value of \$247,882, and was fully-vested upon grant. The Company determined the fair value of the stock option using the Black-Scholes model.

On May 15, 2017, the Company entered into an employment agreement with Ira Rainess as the Company's EVP of Business Affairs. In connection with Mr. Rainess' employment, in September 2017, he was awarded a stock option grant to acquire 100,000 shares of the Company's common stock. The stock option has a term of 3 years, an exercise price of \$1.30, and a grant date fair value of \$53,306, and vests one half of the shares on the one year anniversary of the grant date and one half on the second anniversary. The Company determined the fair value of the stock option using the Black-Scholes model.

On December 17, 2017, the Company awarded Robert Mazzeo, the Company's external General Counsel at that time, a stock option grant to acquire 125,000 shares of the Company's common stock. The option has a term of three years, an exercise price of \$1.50, and a grant date fair value of \$77,500, and was fully-vested upon grant. The Company determined the fair value of the stock option using the Black-Scholes model.

In March 2018, the Board of Directors approved a stock option grant to Robert Mazzeo, CEO and Ira Rainess. Mr. Mazzeo's award was for 250,000 shares with an exercise price of \$0.53 and vests upon grant. Mr. Rainess' award was for 250,000 shares with an exercise price of \$0.53 and vests upon grant. As of March 31, 2018 the option agreements had not been issued.

Warrant Grants

On January 4, 2017, in connection with the acquisition of SuckerPunch, the Company entered an employment agreement with Bryan Hamper as Managing Director. Mr. Hamper was awarded a warrant to acquire 93,583 shares of the Company's common stock. The warrant has a term of 5 years, an exercise price of \$3.74, and a grant date fair value of \$181,920, and was fully-vested upon grant and is included as a component of the SuckerPunch purchase price. The Company determined the fair value of the warrant using the Black-Scholes model.

On March 10, 2017, the Company entered into a service agreement with World Wide Holdings and issued a warrant to acquire 250,000 shares of the Company's common stock. The warrant has an exercise price of \$4.50, term of three years and vest in equal one third increments on April 1, July 1 and October 1, 2017. During the year ended December 31, 2017, the Company recognized stock-based compensation expense of \$169,401.

On January 12, 2018, the Company entered into a service agreement with National Services, LLC ("National"), and issued a warrant to acquire 100,000 shares of the Company's common stock. The warrant has an exercise price of \$1.10, term of five years and was vested upon grant. For the three months ended March 31, 2018, the Company recognized \$38,000 of stock based compensation expense in relation to this warrant. The service agreement allows National to earn up to 300,000 additional warrants, each with an exercise price of \$1.10 and five-year term, based upon achieving certain designated milestones.

The number of shares of the Company's common stock that are issuable pursuant to warrant and stock option grants with time-based vesting as of March 31, 2018 are:

	<u>Warrant Grants</u>		<u>Stock Option Grants</u>	
	<u>Number of Shares Subject to Warrants</u>	<u>Weighted-Average Exercise Price Per Share</u>	<u>Number of Shares Subject to Options</u>	<u>Weighted-Average Exercise Price Per Share</u>
Balance at December 31, 2017	2,239,574	\$ 2.54	725,000	\$ 3.15
Granted	2,307,250	1.10	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Balance at March 31, 2018	4,546,824	\$ 1.81	725,000	\$ 3.15
Exercisable at March 31, 2018	4,351,824	\$ 1.81	358,333	\$ 3.01

As of March 31, 2018 and 2017, the total unrecognized expense for unvested stock options, net of expected forfeitures, was approximately \$485,673 and \$739,745, respectively.

Stock-based compensation expense for the three months ended March 31, 2018 and 2017 is as follows:

	Three Months Ended March 31	
	2018	2017
General and administrative expense	\$ 116,510	\$ 319,729

Stock-based compensation expense categorized by the equity components for the three months ended March 31, 2018 and 2017 is as follows:

	Three Months Ended March 31	
	2018	2017
Employee stock options	\$ 78,510	\$ 319,729
Warrants	38,000	-
Common stock	-	-
	\$ 116,510	\$ 319,729

Alliance MMA, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 9. Net Loss per Share

Basic net loss per share is computed by dividing net loss for the period by the weighted average shares of common stock outstanding during each period. Diluted net loss per share is computed by dividing net loss for the period by the weighted average shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. The Company uses the treasury stock method to determine whether there is a dilutive effect of outstanding option grants.

The following table sets forth the computation of the Company's basic and diluted net loss per share for the periods presented:

	Three Months Ended	
	March 31,	
	2018	2017
Net loss	\$ 4,503,920	\$ (2,369,833)
Weighted-average common shares used in computing net loss per share, basic and diluted	14,595,196	9,344,226
Net loss per share, basic and diluted	\$ (0.31)	\$ (0.25)

The following securities were excluded from the computation of diluted net loss per share for the periods presented because including them would have been anti-dilutive:

	Three Months Ended	
	March 31,	
	2018	2017
Stock options (exercise price \$1.30 - \$4.50 per share)	725,000	500,000
Warrants (exercise price \$1.10 - \$7.43)	4,546,824	565,813
Total common stock equivalents	5,271,824	1,065,813

Note 10. Income Taxes

For the three months ended March 31, 2018 and March 31, 2017, the Company recorded an income tax benefit of \$24,000 and zero, respectively. Income taxes are provided for the tax effects of transactions reported in the unaudited condensed consolidated financial statements and consist of taxes currently due. Deferred taxes relate to differences between the basis of assets and liabilities for financial and income tax reporting which will be either taxable or deductible when the assets or liabilities are recovered or settled. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on consideration of these items, management has established a full valuation allowance as it is more likely than not that the tax benefits will not be realized as of March 31, 2018.

Note 11. Subsequent Events

Related Party Promissory Notes

On April 10, 2018, the Company borrowed a total of \$300,000 from two of its board members, Joseph Gamberale and Joel Tracy, pursuant to promissory notes of \$150,000, respectively. The notes bear interest at 12% annually and mature May 21, 2018. Mr. Gamberale personally guaranteed Mr. Tracy's Note.

Promissory Note

On May 9, 2018, the Company borrowed \$200,000 from a third party shareholder pursuant to a promissory note. The note bears interest at 40% annually and matures on June 25, 2018. Mr. Gamberale personally guaranteed the note and Mr. Gamberale and Mr. Tracy agree to subordinate their existing notes.

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

You should read the following discussion of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the related notes included in Item 1, "Financial Statements" of this Form 10-Q. In addition to our historical unaudited condensed consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs which involves risk, uncertainty and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Form 10-Q.

Corporate Information

Our principal executive offices are located at 590 Madison Avenue, 21st Floor, New York, New York, 10022. Our telephone number is (212) 739-7825.

Industry Overview

Modern-day mixed martial arts is a full contact sport that permits fighters to use techniques from both striking and grappling martial arts such as boxing, wrestling, taekwondo, karate, Brazilian jiu-jitsu, muay thai, and judo.

Today, the sport is legal and regulated in all 50 states. The MMA industry generates revenues by promoting live MMA bouts, and through pay-per-view, video-on-demand and televised MMA event programming, merchandise sales, event and fighter sponsorships, and the monetization of MMA-related intellectual property royalties.

Our Business

Alliance MMA is a sports media company that operates a regional mixed martial arts ("MMA") promotion business under the Alliance MMA name as well as under the trade names of the regional promoters that we own and operate. The fighters who participate in our MMA promotions are provided the opportunity to develop and showcase their talents for advancement to the next level of professional MMA competition. We also own and operate a fighter management business, SuckerPunch Entertainment, and an MMA ticketing platform, CageTix.

Our Promotions

In the first quarter 2018, our regional promotions held 14 events with a number of those events being televised on cable and network stations and/or streamed live via the Internet. In providing fighters the opportunity to demonstrate their talents and move toward more lucrative fights, we also stress the importance of maintaining strong personal values such as integrity, respect and discipline, as we believe that these attributes to be as important to a fighter's success as his or her physical talents and skills.

Our promotions generate revenue through ticket and concession sales at live MMA events. In addition, we distribute our original content on television, cable networks, pay-per-view broadcasts and streaming over the internet. We also receive sponsorship fees for live and tape-delayed MMA events.

Our current promotional businesses are as follows:

CFFC Promotions ("CFFC") – based in Atlantic City, New Jersey, CFFC was founded in 2011 and promotes professional MMA events, primarily in New Jersey and Pennsylvania. CFFC has sent a number of fighters to the UFC, including Aljamain Sterling, Jimmie Rivera, Lyman Good and Paul Felder.

Hoosier Fight Club ("Hoosier Fight Club" or "HFC") – based in the Chicago metropolitan area, HFC was founded in 2009. HFC promoted the first sanctioned event in Indiana in January 2010. HFC has sent several fighters to the UFC as well as to Invicta Fighting Championships, the premier all-female MMA promotion, including Neil Magny, Felice Herrig, Phillippe Nover, Josh Sampo and Barb Honchak.

COmbat GAMES MMA ("COGA") – based in Kirkland, Washington, COGA was founded in 2009 and promotes professional MMA events primarily in Washington State. Among the fighters COGA has sent to the UFC, are bantamweight champion Demetrious Johnson, Ultimate Fighter winner Michael Chiesa, light heavy weight Trevor Smith and heavyweight Anthony Hamilton.

Shogun Fights ("Shogun") – based in Baltimore, Maryland, Shogun was founded in 2008 and promotes professional MMA events at the Royal Farms Arena in Baltimore. Shogun has sent a number of fighters to the UFC and Bellator, including Jim Hettes, Dustin Pague and Zach Davis.

V3 Fights ("V3") – based in Memphis, Tennessee, V3 was founded in 2009 and has promoted professional MMA events primarily at event centers in Memphis, Tennessee and elsewhere in Tennessee, Mississippi and Alabama.

Iron Tiger Fight Series ("IT Fight Series" or "ITFS") – based in Bellefontaine, Ohio, IT Fight Series was founded in 1995 and promotes professional MMA events in various locations throughout Ohio. Since its inception, IT Fight Series has sent or promoted a number of fighters to the UFC as well as to Bellator.

Fight Time Promotions ("Fight Time") – based in Fort Lauderdale, Florida, Fight Time was founded in 2009 and promotes professional

MMA events throughout the South Florida Market.

National Fighting Championships (“NFC”) – based in Atlanta, Georgia, NFC was founded in 2002 and promotes professional MMA events throughout Atlanta, Georgia, South Carolina and North Carolina.

Fight Club Orange County (“FCOC” or “Fight Club OC”) – based in Orange County, California, Fight Club OC was founded in 1982 and promotes professional MMA events throughout Southern California.

Victory Fighting Championship (“Victory”) – based in Omaha, Nebraska, Victory was founded in 2002 and promotes professional MMA events throughout Nebraska, Kansas, South Dakota and Iowa.

As an adjunct to our promotions, we operate Go Fight Net, doing business as Alliance Sports Media (“GFL” or “ASM”), our video production unit which produces, distributes and licenses video content.

Fighter Management

SuckerPunch Entertainment (“SuckerPunch”) – based in Northern Virginia, SuckerPunch manages over approximately 150 professional MMA fighters. Since 2007, SuckerPunch has managed several UFC titleholders including Joanna Jedrzejczyk, Jens Pulver, Carla Esparza and, most recently, Max Holloway.

Ticketing

CageTix – founded in 2009, CageTix focusses its ticket sales service on the MMA industry. In addition to providing ticket services for our events, CageTix presently services many of the industry’s top U.S. mixed martial arts events.

Our Business Objectives and Strategies

Our business objectives include providing sports media content to national broadcasters, internet streaming services and other content distributors and leveraging those arrangements to attract major brand sponsorships. We also plan to enhance the scope of our fighter management and ticketing platforms. To achieve these objectives, we intend to employ the following strategies:

Securing Premier Venues

We intend to migrate our promotional events from paid venue arrangements to venues that will compensate the promotions for hosting events, such as community sponsored civic auditoriums and casinos. We expect that the relocation of our events to higher quality venues will enable us more easily to obtain content distribution arrangements with national broadcasters and others.

Distribution and Licensing our Original Content

We produce high quality MMA programming at the events we promote, and we monetize our content through distribution and licensing arrangements. A number of our promotions have established live and delayed television arrangements with national networks, including CBS Sports Network and Comcast Sports Net.

Obtaining National Sponsorships

In addition to local and regional sponsors for live events, we are seeking to identify and establish sponsorship and advertising arrangements with larger nationally-recognized brands. SuckerPunch actively pursues local, regional and national sponsorships for fighters under management, under which management commissions are earned.

Enhancing the CageTix Ticketing Platform

Currently, the majority of paid tickets for our events is sold by the fighters appearing on the event fight card. Referred to as “fighter consigned” tickets, sales are generally made in face-to-face cash transactions. We continue to expand the utilization of CageTix to help control the ticketing sales chain across our promotions. We believe that greater use of CageTix by our promotions will allow us to increase the profitability of our live events, while capturing valuable demographic customer information that will facilitate subsequent sales and marketing efforts. The CageTix platform can provide significant benefits to the promotions, including the security of credit/debit card sales processing; immediate revenue recognition; real time sales reporting; and sales audit and compliance tracking for tax and regulatory authorities.

Identifying and Signing Top Prospects

We intend to continue signing highly-regarded professional fighters, which we believe enhances our brand recognition and the value of our live MMA programming content. We believe that by providing fighters with a large number of events in which to participate, and by televising or streaming these events, we will be able to provide prospects with multi-fight opportunities and the visibility they seek when affiliating with a promotion.

Results of Operations - Alliance MMA

Revenues

Our revenue is derived primarily from promotional activities including gate receipts, venue fees, food and beverage sales, merchandise sales, and sponsorships. Revenue from ticket sales is realized with the completion of the event. Most of our ticket sales are made in cash which is collected prior to the start of the event. Sponsorship and venue fees are earned with the completion of the event with payment received within 60 days following the event. We generate additional revenue from ticket services from CageTix, fees earned through internet streaming pay-per-view offerings, and video production services, and from management commissions associated with fighter purses, personal brand sponsorships and ancillary activities from SuckerPunch.

Revenue for the three months ended March 31, 2018 was \$1.1 million. Revenue from promotions was \$774,000, ticket services related revenue totaled \$91,000, and revenue from fighter-related commission was \$191,000.

Revenue for the three months ended March 31, 2017 was \$755,000. Revenue from promotions was \$506,000 million, ticket services related revenue totaled \$60,000 and revenue from fighter-related commission was \$189,000.

The increase in revenue is primarily related to two additional events held in 2018 compared to 2017. The increase in events in 2018 was the result of acquisitions completed subsequent to the first quarter of 2017, partially offset by a reduction in the number of events held by promotions which were acquired during or prior to the first quarter 2017. Also during the first quarter 2018, we partnered with the Arnold Sports Festival, a sports nutrition tradeshow and our first event at a tradeshow, resulting in additional ticket and sponsorship revenue.

Expenses

General and administrative expenses decreased approximately \$300,000 to \$1.9 million for the three months ended March 31, 2018 compared to \$2.2 million in the same period of 2017. Salary and wages increased \$28,000 as we acquired businesses and added headcount during 2017 to establish our MMA platform. Sales and marketing increased \$156,000 as we develop our marketing and branding strategy. Depreciation increased \$22,000 as additional assets were acquired during 2017 and depreciated in 2018. Insurance increased \$15,000, IT supplies increased \$25,000, lease expense increased \$13,000. These increases were partially offset by a decrease in stock-based compensation of \$203,000. Amortization decreased \$356,000 based upon the final valuation completed in 2017, and fees decreased 17,000.

Professional and consulting expenses decreased approximate \$23,000 to \$405,000 for the three months ended March 31, 2018 compared to \$428,000 in the same period of 2017. The decrease in these expenses was due primarily to a decrease of \$74,000 in legal fees as we resolved outstanding litigation and a \$60,000 reduction in accounting services, partially offset by a \$54,000 increase in IR and PR related activities and \$54,000 in NASDAQ related expenses.

Impairment charges increased approximately \$2.6 million for the three months ended March 31, 2018 compared to \$0 in the same period of 2017, as we impaired goodwill associate with the Promotion Segment.

Liquidity and Capital Resources

Our operations have generated negative cash flows since inception. Consequently, our primary source of cash has been from the issuance of common stock in conjunction with our IPO completed in October 2016, sales of our common stock and warrants to purchase common stock issued in private placements in July, August and October 2017 and public offering in January 2018 as well as advances in April and May 2018 under promissory notes with two of our board members and a shareholder, respectively. In spite of having completed these financing transactions, due to our operations generating significant negative cash flows, we currently have virtually no cash on hand. Consequently, in order for us to continue as a going concern, we need to raise additional capital almost immediately. In order to alleviate this capital deficiency, we are actively seeking additional financing in the form of additional debt and/or equity. We cannot assure you that we will be able to raise sufficient additional funds in a timely fashion, or at all, to enable us to continue as a going concern. Nor can we assure you that any funds we are able to raise will be on commercially reasonable terms.

In order for us to grow and execute our business plan successfully, in addition to short term capital needed to maintain our status as a going concern, we will need substantial additional financing in the near term. The Company currently has virtually no cash on hand, an accumulated deficit of \$21.0 million, historical operating losses and, since inception, consistently negative operating cash flows, indicating a substantial doubt with respect to our ability to continue as a going concern for at least one year from the date of this report. The Company estimates its operations will use approximately \$1 million and \$3.5 million in the next three and twelve months, respectively. However, Management is continuing its effort to reduce operating expenses. We intend to fund the operating deficits through debt and or equity financings until such time as we are able generate positive cash flows from operating activities. We can not assure you we will be able to secure addition debt and or equity financing on commercially reasonable terms or at all.

As of March 31, 2018, our cash balance was \$155,315 which consists primarily of cash on deposit with banks. As of the filing of this report, we had virtually no cash on hand. During the first quarter of 2018, our principal uses of cash consisted of paying off a note and paying for operating expenses and outstanding payables. As noted above, we currently do not have sufficient capital resources to continue our operations, and thus we have an immediate and urgent need for additional capital.

	3 Months Ended March 31,	
	2018	2017
Consolidated Statements of Cash Flows Data:		
Net cash used in operating activities	\$ (1,812,186)	\$ (1,256,623)
Net cash used in investing activities	(26,696)	(524,651)
Net cash provided by financing activities	1,646,000	-
Net decrease in cash	<u>\$ (192,882)</u>	<u>\$ (1,781,274)</u>

The operations of Alliance to date have resulted in losses and negative operating cash flows. During the first quarter of 2018, the Company began a cost reduction plan resulting in the termination of employment of several executives and other personnel, renegotiating or terminating contracts and similar cost cutting activities. Management is focused not only on these cost reduction measures but also revenue expansion and improvements in venues and event economics.

Operating Activities

Cash used in operating activities was \$1.8 million for the three months ended March 31, 2018 (about \$600,000 per month), mainly related to the net loss of \$4.5 million, an increase of \$37,000 in accounts receivable, and a decrease in accounts payable of \$227,000, offset by non-cash stock based compensation expense of \$117,000, non-cash depreciation of \$45,000, non-cash amortization of \$162,000 and non-cash impairment of \$2.6 million.

Cash used in operating activities was \$1.3 million for the three months ended March 31, 2017 (about \$433,000 per month), mainly related to the net loss of \$2.4 million, an increase in accounts receivable of \$190,000 and an increase in prepaids of \$18,000, offset by non-cash depreciation of \$23,000, non-cash amortization of \$517,000 related to amortization of acquired intangible assets, non-cash stock-based compensation of \$320,000 related to various equity awards to employees and non-employees, and increase in accounts payable of \$425,000.

The \$555,563 increase in cash used in operations mainly relates to the \$2.1 million increase in loss, decrease in accounts payable and accrued liabilities of \$652,000 offset by an increase in non-cash impairment of \$2.6 million, increase in non-cash stock based compensation of \$203,000, decrease in non-cash amortization of \$355,000, and increase in non-cash depreciation of \$21,000.

Investing Activities

Cash used in investing activities was \$27,000 for the three months ended March 31, 2018, related to the acquisition of capital assets of \$27,000.

Cash used in investing activities was \$525,000 for the three months ended March 31, 2017, due primarily to the acquisitions of Sucker Punch and Fight Time, and Sheffield video library assets totaling \$466,500 in the aggregate and capital asset purchases of \$58,000.

Financing Activities

Cash provided by financing activities was \$1.6 million for the three months ended March 31, 2018, primarily related to a registered public offering of our securities, which provided \$1.6 million of capital. In January 2018, the Company completed a public offering of 2,150,000 units for \$1.00 per unit. Each unit included one share of Alliance MMA common stock and 0.9 warrants to purchase common stock, totaling 1,935,000 warrants. The gross proceeds to the Company was approximately \$2,150,000 before underwriter discounts, commissions and offering expenses. This increase was offset by the repayment of our note payable of \$300,000.

Cash provided by financing activities was \$0 for the three months ended March 31, 2017.

Contractual Cash Obligations

	Payments Due by Period		
	Total	Remainder of 2018	2019
Operating lease obligations	\$ 179,265	\$ 112,275	\$ 66,990

The amounts reflected in the table above for operating lease obligations represent aggregate future minimum lease payments under non-cancelable facility leases.

See Note 7- "*Commitments and Contingencies*" of the Notes to Unaudited Condensed Consolidated Financial Statements for additional detail.

Off-Balance Sheet Arrangements

As of March 31, 2018, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies and Estimates

During the three months ended March 31, 2018 there was a change to our revenue recognition policy. See Note 2 - *“Summary of Significant Accounting Policies”* of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional detail. For a discussion of our critical accounting policies and estimates, see Part II, Item 7 - *Management’s Discussion and Analysis of Financial Condition and Results of Operations* in the Form 10-K.

Recent Accounting Pronouncements

See Note 2- *“Recent Accounting Pronouncements”* of the Notes to Unaudited Condensed Consolidated Financial Statements for a full description of recent accounting pronouncements including the respective expected dates of adoption.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management conducted an evaluation of the effectiveness of our “disclosure controls and procedures” (“Disclosure Controls”), as defined by Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of March 31, 2018, the end of the period covered by this Form 10-Q, as required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act. The Disclosure Controls evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, based on the 2013 framework and criteria established by the Committee of Sponsoring Organizations of the Treadway Commission. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, due to deficiencies in the design of internal controls and lack of segregation of duties, our Disclosure Controls were not effective as of March 31, 2018, such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding disclosure.

Management Report on Internal Controls over Financial Reporting

Our management has identified material weaknesses in our internal controls related to deficiencies in the design of internal controls and segregation of duties. Management is planning to meet with the Audit Committee to discuss remediation efforts, which are expected to continue through 2018 until such time as management is able to conclude that its remediation efforts are operating and effective.

Notwithstanding the foregoing, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that the unaudited condensed consolidated financial statements included in this Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

We may in the future identify other material weaknesses or significant deficiencies in connection with our internal control over financial reporting. Material weaknesses and significant deficiencies that may be identified in the future will need to be addressed as part of our quarterly and annual evaluations of our internal controls over financial reporting under Sections 302 and 404 of the Sarbanes-Oxley Act. Any future disclosures of a material weakness, or errors as a result of a material weakness, could result in a negative reaction in the financial markets and a decrease in the price of our common stock.

Changes in Internal Control over Financial Reporting.

During the quarter ended March 31, 2018, there was no change in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

Item 1. Legal Proceedings

In conducting our business, we may become involved in legal proceedings. We will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

In April and May 2017, respectively, two purported securities class action complaints—*Shapiro v. Alliance MMA, Inc.*, No. 1:17-cv-2583 (D.N.J.), and *Shulman v. Alliance MMA, Inc.*, No. 1:17-cv-3282 (S.D.N.Y.)—were filed against the Company and certain of its officers in the United States District Court for the District of New Jersey and the United States District Court for the Southern District of New York, respectively. The complaints alleged that the defendants violated certain provisions of the federal securities laws, and purported to seek damages in an amount to be alleged on behalf of a class of shareholders who purchased the Company's common stock pursuant or traceable to the Company's initial public offering. In July 2017, the plaintiffs in the New York action voluntarily dismissed their claim and, on March 8, 2018, the parties reached a settlement to the New Jersey action in which the carrier for our directors and officers liability insurance policy has agreed to cover Alliance's financial obligations, including legal fees, under the settlement arrangement, less a deductible of \$250,000.

In October 2017, a shareholder derivative claim based on the same facts that were alleged in the class action complaints was filed against the directors of the Company in the District Court for the District New Jersey; however, a complaint was not served on the defendants and, on February 2, 2018 the claim was dismissed by the District Court.

Item 1A. Risk Factors

We are a smaller reporting Company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

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

None

Item 5. Other Information

On May 9, 2018, the company borrowed \$200,000 from a third-party shareholder pursuant to a promissory note. The notes bear interest at 40% annually and mature June 25, 2018. Repayment of the note is subject to acceleration in the event of a breach of the repayment provisions or if a bankruptcy or similar proceeding for the benefit of our creditors is instituted against the Company. Mr. Gamberale, a director and significant shareholder, personally guaranteed the note and Mr. Gamberale and Mr. Tracy, a director and significant shareholder, agreed to subordinate their notes.

Item 6. Exhibits.

Exhibit No.	Description
<u>10.1</u>	<u>Promissory Note of the Company in favor of Joseph Gamberale</u>
<u>10.2</u>	<u>Promissory Note of the Company in favor of Joel Tracy</u>
<u>10.3</u>	<u>Promissory Note of the Company in favor of Steven Wallitt</u>
<u>31.1*</u>	<u>Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.</u>
<u>31.2*</u>	<u>Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934.</u>
<u>32.1 (1)*</u>	<u>Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2 (1)*</u>	<u>Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Label Linkbase Document*
101.PRE	XBRL Taxonomy Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Document*

* Filed Herewith

(1) The certifications on Exhibit 32 hereto are deemed not “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. Such certifications will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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

ALLIANCE MMA, INC

Date: May 15, 2018

By: /s/ Robert Mazzeo
Name: Robert Mazzeo
Title: Chief Executive Officer
(Principal Executive Officer)

By: /s/ John Price
Name: John Price
Title: Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

PROMISSORY NOTE

U.S. \$150,000

April 10, 2018

FOR VALUE RECEIVED, Alliance MMA, Inc., a Delaware corporation (“*Debtor*”), promises to pay in lawful money of the United States of America to the order of Joseph Gamberale, an individual and resident of the State of Florida (“*Lender*”), the principal sum of One Hundred Fifty Thousand Dollars (\$150,000) on the terms set forth in this Promissory Note (this “*Note*”), on or before the Maturity Date (as defined below).

1. INTEREST. Interest shall accrue on the principal balance of this Note at an annual rate of twelve percent (12%) for each day that such principal balance is outstanding. Interest shall be paid in full on the Maturity Date.

2. PAYMENT. Debtor shall pay to Lender, on or before May 21, 2018 (the “*Maturity Date*”), in full satisfaction of all amounts due under this Note, an amount equal to (A) the outstanding principal amount of this Note plus (B) all unpaid interest accrued hereon (the “*Repayment Amount*”). Debtor will pay the Repayment Amount in U.S. dollars to such account as Lender may designate in writing.

3. PREPAYMENT. Debtor may prepay all or any portion of the Repayment Amount prior to the Maturity Date without penalty.

4. DEFAULT INTEREST. Any amount due hereunder that is not paid by Debtor on or before the date on which such amount becomes due hereunder shall bear interest until paid at the lower of (i) five percent (5%) per month (prorated for partial months) and (ii) the maximum rate permitted by applicable law (“*Default Interest*”).

5. EVENTS OF DEFAULT.

(a) The occurrence and continuance of any one or more of the following events shall constitute an “*Event of Default*” under this Note:

(i) Failure to Pay. Debtor shall fail to pay when due, whether at stated maturity, upon acceleration or otherwise, any principal or interest payment, or any other payment required under the terms of this Note on the date due therefor;

(ii) Representations and Warranties. Any representation or warranty made by Debtor in this Note, or in any related agreement or document, shall be false, incorrect, incomplete or misleading when made or furnished;

(iii) Covenants. The Debtor fails to perform any covenant or agreement made by Debtor in this Note (other than a failure to make payment as described in (i) above) and such failure continues for three (3) business days after written notice of such failure is delivered to Debtor;

(iv) Voluntary Bankruptcy or Insolvency Proceedings. Debtor shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated, or (v) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it;

(v) Involuntary Bankruptcy or Insolvency Proceedings. Proceedings for the appointment of a receiver, trustee, liquidator, or custodian of Debtor or of all or a substantial part of its property, or an involuntary case or other proceedings seeking liquidation, reorganization, or other relief with respect to Debtor or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, shall be commenced and an order for relief entered or such proceeding shall not be dismissed or stayed discharged within sixty (60) days of commencement; and

(vi) Government Action. A governmental agency or regulatory authority takes or institutes any action, claim, proceeding or inquiry that is reasonably likely to affect materially Debtor’s financial condition, business, operations or ability to pay or perform Debtor’s obligations under this Note.

(b) Following the occurrence of an Event of Default (other than an Event of Default referred to in clauses (iv) or (v) above) and at any time thereafter, Lender may, by written notice to Debtor, declare all unpaid principal, plus all accrued interest and other amounts due hereunder to be immediately due and payable. Upon the occurrence or existence of any Event of Default described in clauses (iii) or (iv) above, immediately and without notice, all outstanding unpaid principal, plus all accrued interest and other amounts due hereunder, shall automatically become immediately due and payable.

6. NO USURY. Notwithstanding any other provision contained in this Note, (a) the rates of interest and charges deemed to be paid by Debtor hereunder shall in no event exceed the rates and charges which result in interest being charged at a rate exceeding the maximum allowed by applicable law; and (b) if, for any reason whatsoever, payment of the Repayment Amount or any other amount due hereunder by Debtor would result in a finding by a court or arbitration panel with jurisdiction over the matter that all or any portion of such payment would exceed the maximum rate allowed by law, such excess will be returned to Debtor.

7. ATTORNEYS' FEES. If this Note is placed in the hands of an attorney for collection or enforcement prior to commencing arbitration or legal proceedings, or is collected or enforced through any arbitration or legal proceeding, or Lender otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note, Debtor shall pay the reasonable costs incurred by Lender for such collection, enforcement or action including, without limitation, reasonable attorneys' fees and disbursements.

8. GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New Jersey, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New Jersey or any other jurisdiction) that would cause the application of the laws of any jurisdictions other than the State of New Jersey.

9. ARBITRATION OF DISPUTES.

(a) The parties shall submit any and all disputes arising out of or relating to this Note or the transactions contemplated hereby (collectively, "**Claims**") to binding arbitration ("**Arbitration**") pursuant to the expedited commercial rules of the American Arbitration Association (the "**AAA Rules**") The parties hereby acknowledge and agree that the AAA Rules are unconditionally binding on the parties hereto and are severable from all other provisions of this Note.

(b) Each party expressly agrees that the exclusive venue for Arbitration shall be Newark, New Jersey. Without modifying or limiting the parties' obligations to resolve Claims pursuant to the AAA Rules, in order for a party to seek injunctive or other relief that cannot be granted through Arbitration, each party hereby (i) consents to and expressly submits to the exclusive personal jurisdiction of any state or federal court sitting in Newark, New Jersey, (ii) expressly submits to the exclusive venue of any such court for the purposes of seeking such relief, and (iii) waives any claim of improper venue or that such courts are an inconvenient forum or that the bringing of any such proceeding in such jurisdiction is improper.

10. OBLIGATION UNCONDITIONAL. Except as may otherwise be set forth in this Note, no provision in this Note or any other agreement shall alter, impair or render conditional the obligation of Debtor, which is absolute and unconditional, to pay the principal of and all other amounts due on this Note at the place, at the time and in the currency herein prescribed.

11. WAIVERS. Debtor hereby waives presentment, notice of nonpayment, notice of dishonor, protest, demand and diligence.

12. LOSS OR MUTILATION. On receipt by Debtor of evidence reasonably satisfactory to Debtor of the loss, theft, destruction or mutilation of this Note and, in the case of any such loss, theft or destruction of this Note, on delivery of an indemnity agreement reasonably satisfactory in form and amount to Debtor or, in the case of any such mutilation, on surrender and cancellation of such Note, Debtor at its expense will execute and deliver to Lender, in lieu thereof, a new Note of like tenor.

13. NOTICES. All communications, notices and consents provided for herein shall be in writing and be given in person or by means of facsimile or electronic mail (with confirmation of receipt), by overnight courier or by registered or certified mail, and shall become effective: (a) on delivery if given in person; (b) on the date of transmission if sent by facsimile or electronic mail; (c) one (1) business day after delivery to an overnight service; or (d) on delivery after being mailed, first-class registered or certified mail, prepaid.

Notices shall be addressed as follows:

If to Debtor:

Alliance MMA, Inc.
590 Madison Avenue, 21st Floor
New York, New York 10022
Attention: Chief Executive Officer
Phone: (212) 739-7825 Fax: (212) 658-9291
Email: rmazzeo@alliancemma.com

If to Lender:

Joseph Gamberale
Phone: (917) 693-7561
Email: Happy1912@aol.com

14. AMENDMENT AND WAIVER. This Note and its terms and conditions may be amended, waived or modified only in a writing executed by both Debtor and Lender.

15. SEVERABILITY. If any part of this Note is construed to be in violation of any law, such part shall be modified to achieve the objective of the parties to the fullest extent permitted and the balance of this Note shall remain in full force and effect.

16. ASSIGNMENTS. Neither party may assign its rights or obligations under this Note without the prior written consent of the other party

17. FINAL NOTE. This Note represents the entire understanding and agreement of Debtor and Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings relating to this Note. In issuing this Note to Lender, Debtor is not relying on any representation, warranty, promise or covenant of Lender or its officers, directors, representatives or agents other than as expressly set forth in this Note.

18. TIME IS OF THE ESSENCE. Time is of the essence with respect to the obligations of the parties under this Note.

19. LIQUIDATED DAMAGES. Lender and Debtor agree that in the event Debtor fails to comply with any of the terms or provisions of this Note, Lender's damages would be uncertain and difficult (if not impossible) to accurately estimate because of the parties' inability to predict future interest rates and other relevant factors. Accordingly, Lender and Debtor agree that any fees, balance adjustments, default interest or other charges assessed under this Note are not penalties but instead are intended by the parties to be, and shall be deemed, liquidated damages.

20. WAIVER OF JURY TRIAL. DEBTOR IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS NOTE BE TRIED BY A JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING UNDER COMMON LAW OR ANY APPLICABLE STATUTE, LAW, RULE OR REGULATION. DEBTOR ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

[Signature Page Follows]

IN WITNESS WHEREOF, Debtor has caused this Note to be issued as of the date first set forth above.

ALLIANCE MMA, INC.

By: /s/ Robert L. Mazzeo

Robert L. Mazzeo

Chief Executive Officer

[Signature Page to Promissory Note]

PROMISSORY NOTE

U.S. \$150,000

April 10, 2018

FOR VALUE RECEIVED, Alliance MMA, Inc., a Delaware corporation (“*Debtor*”), promises to pay in lawful money of the United States of America to the order of Joel D. Tracy, an individual and resident of the State of New Jersey (“*Lender*”), the principal sum of One Hundred Fifty Thousand Dollars (\$150,000) on the terms set forth in this Promissory Note (this “*Note*”), on or before the Maturity Date (as defined below).

1. INTEREST. Interest shall accrue on the principal balance of this Note at an annual rate of twelve percent (12%) for each day that such principal balance is outstanding. Interest shall be paid in full on the Maturity Date.

2. PAYMENT. Debtor shall pay to Lender, on or before May 21, 2018 (the “*Maturity Date*”), in full satisfaction of all amounts due under this Note, an amount equal to (A) the outstanding principal amount of this Note plus (B) all unpaid interest accrued hereon (the “*Repayment Amount*”). Debtor will pay the Repayment Amount in U.S. dollars to such account as Lender may designate in writing.

3. PREPAYMENT. Debtor may prepay all or any portion of the Repayment Amount prior to the Maturity Date without penalty.

4. DEFAULT INTEREST. Any amount due hereunder that is not paid by Debtor on or before the date on which such amount becomes due hereunder shall bear interest until paid at the lower of (i) five percent (5%) per month (prorated for partial months) and (ii) the maximum rate permitted by applicable law (“*Default Interest*”).

5. EVENTS OF DEFAULT.

(a) The occurrence and continuance of any one or more of the following events shall constitute an “*Event of Default*” under this Note:

(i) Failure to Pay. Debtor shall fail to pay when due, whether at stated maturity, upon acceleration or otherwise, any principal or interest payment, or any other payment required under the terms of this Note on the date due therefor;

(ii) Representations and Warranties. Any representation or warranty made by Debtor in this Note, or in any related agreement or document, shall be false, incorrect, incomplete or misleading when made or furnished;

(iii) Covenants. The Debtor fails to perform any covenant or agreement made by Debtor in this Note (other than a failure to make payment as described in (i) above) and such failure continues for three (3) business days after written notice of such failure is delivered to Debtor;

(iv) Voluntary Bankruptcy or Insolvency Proceedings. Debtor shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated, or (v) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it;

(v) Involuntary Bankruptcy or Insolvency Proceedings. Proceedings for the appointment of a receiver, trustee, liquidator, or custodian of Debtor or of all or a substantial part of its property, or an involuntary case or other proceedings seeking liquidation, reorganization, or other relief with respect to Debtor or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, shall be commenced and an order for relief entered or such proceeding shall not be dismissed or stayed discharged within sixty (60) days of commencement; and

(vi) Government Action. A governmental agency or regulatory authority takes or institutes any action, claim, proceeding or inquiry that is reasonably likely to affect materially Debtor's financial condition, business, operations or ability to pay or perform Debtor's obligations under this Note.

(b) Following the occurrence of an Event of Default (other than an Event of Default referred to in clauses (iv) or (v) above) and at any time thereafter, Lender may, by written notice to Debtor, declare all unpaid principal, plus all accrued interest and other amounts due hereunder to be immediately due and payable. Upon the occurrence or existence of any Event of Default described in clauses (iii) or (iv) above, immediately and without notice, all outstanding unpaid principal, plus all accrued interest and other amounts due hereunder, shall automatically become immediately due and payable.

6. NO USURY. Notwithstanding any other provision contained in this Note, (a) the rates of interest and charges deemed to be paid by Debtor hereunder shall in no event exceed the rates and charges which result in interest being charged at a rate exceeding the maximum allowed by applicable law; and (b) if, for any reason whatsoever, payment of the Repayment Amount or any other amount due hereunder by Debtor would result in a finding by a court or arbitration panel with jurisdiction over the matter that all or any portion of such payment would exceed the maximum rate allowed by law, such excess will be returned to Debtor.

7. ATTORNEYS' FEES. If this Note is placed in the hands of an attorney for collection or enforcement prior to commencing arbitration or legal proceedings, or is collected or enforced through any arbitration or legal proceeding, or Lender otherwise takes action to collect amounts due under this Note or to enforce the provisions of this Note, Debtor shall pay the reasonable costs incurred by Lender for such collection, enforcement or action including, without limitation, reasonable attorneys' fees and disbursements.

8. GOVERNING LAW. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the internal laws of the State of New Jersey, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New Jersey or any other jurisdiction) that would cause the application of the laws of any jurisdictions other than the State of New Jersey.

9. ARBITRATION OF DISPUTES.

(a) The parties shall submit any and all disputes arising out of or relating to this Note or the transactions contemplated hereby (collectively, "**Claims**") to binding arbitration ("**Arbitration**") pursuant to the expedited commercial rules of the American Arbitration Association (the "**AAA Rules**") The parties hereby acknowledge and agree that the AAA Rules are unconditionally binding on the parties hereto and are severable from all other provisions of this Note.

(b) Each party expressly agrees that the exclusive venue for Arbitration shall be Newark, New Jersey. Without modifying or limiting the parties' obligations to resolve Claims pursuant to the AAA Rules, in order for a party to seek injunctive or other relief that cannot be granted through Arbitration, each party hereby (i) consents to and expressly submits to the exclusive personal jurisdiction of any state or federal court sitting in Newark, New Jersey, (ii) expressly submits to the exclusive venue of any such court for the purposes of seeking such relief, and (iii) waives any claim of improper venue or that such courts are an inconvenient forum or that the bringing of any such proceeding in such jurisdiction is improper.

10. OBLIGATION UNCONDITIONAL. Except as may otherwise be set forth in this Note, no provision in this Note or any other agreement shall alter, impair or render conditional the obligation of Debtor, which is absolute and unconditional, to pay the principal of and all other amounts due on this Note at the place, at the time and in the currency herein prescribed.

11. WAIVERS. Debtor hereby waives presentment, notice of nonpayment, notice of dishonor, protest, demand and diligence.

12. LOSS OR MUTILATION. On receipt by Debtor of evidence reasonably satisfactory to Debtor of the loss, theft, destruction or mutilation of this Note and, in the case of any such loss, theft or destruction of this Note, on delivery of an indemnity agreement reasonably satisfactory in form and amount to Debtor or, in the case of any such mutilation, on surrender and cancellation of such Note, Debtor at its expense will execute and deliver to Lender, in lieu thereof, a new Note of like tenor.

13. NOTICES. All communications, notices and consents provided for herein shall be in writing and be given in person or by means of facsimile or electronic mail (with confirmation of receipt), by overnight courier or by registered or certified mail, and shall become effective: (a) on delivery if given in person; (b) on the date of transmission if sent by facsimile or electronic mail; (c) one (1) business day after delivery to an overnight service; or (d) on delivery after being mailed, first-class registered or certified mail, prepaid.

Notices shall be addressed as follows:

If to Debtor:

Alliance MMA, Inc.
590 Madison Avenue, 21st Floor
New York, New York 10022
Attention: Chief Executive Officer
Phone: (212) 739-7825 Fax: (212) 658-9291
Email: rmazzeo@alliancemma.com

If to Lender:

Joel D. Tracy
Phone: 609-896-2444
Email: Happy1912@aol.com

14. AMENDMENT AND WAIVER. This Note and its terms and conditions may be amended, waived or modified only in a writing executed by both Debtor and Lender.

15. SEVERABILITY. If any part of this Note is construed to be in violation of any law, such part shall be modified to achieve the objective of the parties to the fullest extent permitted and the balance of this Note shall remain in full force and effect.

16. ASSIGNMENTS. Neither party may assign its rights or obligations under this Note without the prior written consent of the other party

17. FINAL NOTE. This Note represents the entire understanding and agreement of Debtor and Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings relating to this Note. In issuing this Note to Lender, Debtor is not relying on any representation, warranty, promise or covenant of Lender or its officers, directors, representatives or agents other than as expressly set forth in this Note.

18. TIME IS OF THE ESSENCE. Time is of the essence with respect to the obligations of the parties under this Note.

19. LIQUIDATED DAMAGES. Lender and Debtor agree that in the event Debtor fails to comply with any of the terms or provisions of this Note, Lender's damages would be uncertain and difficult (if not impossible) to accurately estimate because of the parties' inability to predict future interest rates and other relevant factors. Accordingly, Lender and Debtor agree that any fees, balance adjustments, default interest or other charges assessed under this Note are not penalties but instead are intended by the parties to be, and shall be deemed, liquidated damages.

20. WAIVER OF JURY TRIAL. DEBTOR IRREVOCABLY WAIVES ANY AND ALL RIGHTS IT MAY HAVE TO DEMAND THAT ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATED TO THIS NOTE BE TRIED BY A JURY. THIS WAIVER EXTENDS TO ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY ARISING UNDER COMMON LAW OR ANY APPLICABLE STATUTE, LAW, RULE OR REGULATION. DEBTOR ACKNOWLEDGES THAT IT IS KNOWINGLY AND VOLUNTARILY WAIVING ITS RIGHT TO DEMAND TRIAL BY JURY.

[Signature Page Follows]

IN WITNESS WHEREOF, Debtor has caused this Note to be issued as of the date first set forth above.

ALLIANCE MMA, INC.

By: /s/ Robert L. Mazzeo

Robert L. Mazzeo

Chief Executive Officer

[Signature Page to Promissory Note]

UNSECURED PROMISSORY NOTENew York, NY
May 9, 2018

FOR VALUE RECEIVED, the undersigned, Alliance MMA, Inc., a corporation with an address of 590 Madison Avenue, 21st Floor, New York, New York 10022 (hereinafter referred to as the "Maker"), hereby promises to pay to the order of Steven Wallitt, with a mailing address of 12 Abby Dr., Lawrenceville, NJ 08648 ("Holder"), the sum of TWO HUNDRED THOUSAND DOLLARS (\$200,000).

All outstanding principal sums shall be paid by Maker, as set forth below. The entire balance of outstanding principal and other fees and charges shall be due and payable on the earlier of (i) an Event of Default (as defined below), (ii) June 25, 2018 (the "Maturity Date"). There shall be no prepayment penalty.

The unpaid principal balance from time to time outstanding under this note shall accrue and bear interest at a rate per annum equal to forty percent (40%), until fully paid. Interest and fees shall be calculated based on a 365/366-day year for the actual number of days elapsed. In no event shall interest payable hereunder exceed the highest rate permitted by applicable law. To the extent any interest received by Holder exceeds the maximum amount permitted, such payment shall be credited to principal, and any excess remaining after full payment of principal shall be refunded to Maker. The principal balance of this note may be prepaid in whole or in part, without premium or penalty, at any time.

Each of the following shall constitute an "Event of Default" hereunder: (i) Maker's failure to make any payment when due hereunder; (ii) with respect to Maker, the commencement of an action seeking relief under federal or state bankruptcy or insolvency statutes or similar laws, or seeking the appointment of a receiver, trustee or custodian for Maker or all or part of its assets, or the commencement of an involuntary proceeding against Maker under federal or state bankruptcy or insolvency statutes or similar laws, which involuntary proceeding is not dismissed or stayed within thirty (30) days; or (iii) if Maker makes an assignment for the benefit of creditors. If an Events of Default occurs, the obligations under this note shall become immediately due and payable without notice or demand.

Maker agrees to pay all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and expenses incurred, or which may be incurred, by Holder in connection with the enforcement and collection of this note. Such costs and expenses shall be payable upon demand for the same and until so paid shall be added to the principal amount of the note.

Maker hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this note, and assent to extensions of the time of payment or forbearance or other indulgence without notice. No delay or omission of Holder in exercising any right or remedy hereunder shall constitute a waiver of any such right or remedy. Acceptance by Holder of any payment after demand shall not be deemed a waiver of such demand. A waiver on one occasion shall not operate as a bar to or waiver of any such right or remedy on any future occasion.

This instrument contains the entire agreement among Maker and Holder with respect to the transactions contemplated hereby, and supersedes all negotiations, presentations, warranties, commitments, offers, contracts and writings prior to the date hereof relating to the subject matter hereof. This instrument may be amended, modified, waived, discharged or terminated only by a writing signed by Maker and accepted in writing by Holder.

This instrument shall be governed by New York law, without regard to the conflict of laws provisions thereof. For purposes of any action or proceeding involving this note, Maker and Holder hereby expressly submit to the jurisdiction of all federal and state courts located in the State of New York and consent to any order, process, notice of motion or other application to or by any of said courts or a judge thereof being served within or without such court's jurisdiction by registered mail or by personal service, provided a reasonable time for appearance is allowed (but not less than the time otherwise afforded by any law or rule), and waives any right to contest the appropriateness of any action brought in any such court based upon lack of personal jurisdiction, improper venue or forum non conveniens.

This Note shall inure to the benefit of Holder's successors and assigns.

By countersigning this Note, Joseph Gamberale and Joel Tracy hereby subordinate the repayment of amounts owed to them by Maker under their respective promissory notes until this Note has been paid in full.

Executed as an instrument under seal, as of the date first above written. This Note shall not become an obligation of the Maker until countersigned by Holder and returned to Maker.

MAKER:

Alliance MMA, Inc.

WITNESS:

Witness
Print Name: _____

John Price, CFO

Joseph Gamberale and Joel Tracy are executing this Note for the purpose of **subordinating** the repayment of their loans to the repayment of the loan evidenced by this Note, and Joel Tracy shall not have any liability under this Note. In addition, Joseph Gamberale is personally guarantying the repayment of this Note.

Joel Tracy

Joseph Gamberale

Joel Tracy

Joseph Gamberale (guarantor)

ACCEPTED AND AGREED BY HOLDER

Steven Wallitt

Steven Wallitt

CERTIFICATION

I, Robert Mazzeo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliance MMA, 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 present 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)):
 - 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) 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
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2018

By: /s/ Robert Mazzeo

Robert Mazzeo
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, John Price, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alliance MMA, 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 present 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)):
 - 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) 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
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2018

By: /s/ John Price
John Price
Chief Financial Officer
(Principal Accounting Officer)

Section 1350 CERTIFICATION

In connection with this Quarterly Report of Alliance MMA, Inc. (the "Company"), on Form 10-Q for the quarter ended March 31, 2018, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Robert Mazzeo, Principal Executive Officer of the Company, certify pursuant to 18 U.S.C. Section. 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 15, 2018

By: /s/ Robert Mazzeo
Robert Mazzeo
Chief Executive Officer
(Principal Executive Officer)

Section 1350 CERTIFICATION

In connection with this Quarterly Report of Alliance MMA, Inc. (the "Company"), on Form 10-Q for the quarter ended March 31, 2018, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, John Price, Principal Accounting Officer of the Company, certify pursuant to 18 U.S.C. Section. 1350, as adopted pursuant to Section. 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 15, 2018

By: /s/ John Price
John Price
Principal Financial Officer
(Principal Accounting Officer)
