

---

---

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

FORM 10-Q

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

For the quarterly period ended September 30, 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, 21<sup>st</sup> 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 checked="" 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 November 14, 2018: 17,494,852.

---

---

**Alliance MMA  
Form 10-Q**

**TABLE OF CONTENTS**

|   | <u>Page</u>      |
|---|------------------|
| <b><u>PART I - FINANCIAL INFORMATION</u></b>  | <b><u>4</u></b>  |
| <u>Item 1. Financial Statements (unaudited)</u>   | <u>4</u>         |
| <u>Condensed Consolidated Balance Sheets as of September 30, 2018 and December 31, 2017</u>                                       | <u>4</u>         |
| <u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018 and 2017</u>            | <u>5</u>         |
| <u>Condensed Consolidated Statement of Changes in Stockholders' (Deficit) Equity for the nine months ended September 30, 2018</u> | <u>6</u>         |
| <u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017</u>                      | <u>7</u>         |
| <u>Notes to Condensed Consolidated Financial Statements</u>   | <u>8</u>         |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                              | <u>23</u>        |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>   | <u>28</u>        |
| <u>Item 4. Controls and Procedures</u>  | <u>28</u>        |
| <b><u>PART II - OTHER INFORMATION</u></b>   | <b><u>29</u></b> |
| <u>Item 1. Legal Proceedings</u>  | <u>29</u>        |
| <u>Item 1A. Risk Factors</u>  | <u>29</u>        |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>  | <u>29</u>        |
| <u>Item 3. Defaults Upon Senior Securities (Not Applicable)</u>   |                  |
| <u>Item 4. Mine Safety Disclosures (Not Applicable)</u>   |                  |
| <u>Item 5. Other Information</u>  | <u>29</u>        |
| <u>Item 6. Exhibits</u>   | <u>30</u>        |
| <u>Signatures</u>   | <u>31</u>        |

---

### 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.*

*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 operating expenses.*

*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 ticket service industry;
- Our ability to secure new, and maintain existing relationships with MMA promoters utilizing our ticket platform;
- Our ability to keep pace with technology advancements impacting our ticketing platform and advancements adopted by our competitors.
- 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; and it’s requirement that we have minimum capital of \$2.5 million; standards we are not currently meeting;
- Our ability to consummate the acquisition of SCWorx.

*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>September 30,</u><br><u>2018</u> | <u>December 31,</u><br><u>2017</u> |
|---|-------------------------------------|------------------------------------|
| <b>ASSETS</b>   |                                     |                                    |
| Current assets:   |                                     |                                    |
| Cash and cash equivalents   | \$ 4,787                            | \$ 42,848                          |
| Accounts receivable, net  | 34,353                              | —                                  |
| Current assets - discontinued operations  | —                                   | 602,386                            |
| Total current assets  | 39,140                              | 645,234                            |
| Intangible assets, net  | —                                   | 271,870                            |
| Long-term assets - discontinued operations  | —                                   | 8,838,224                          |
| <b>TOTAL ASSETS</b>   | <b>\$ 39,140</b>                    | <b>\$ 9,755,328</b>                |
| <b>LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>   |                                     |                                    |
| Current liabilities:  |                                     |                                    |
| Accounts payable and accrued liabilities  | \$ 579,216                          | \$ 843,554                         |
| Notes payable - related party   | 300,000                             | —                                  |
| Notes payable   | 920,000                             | 300,000                            |
| Current liabilities - discontinued operations   | 425,604                             | 453,352                            |
| Total current liabilities   | 2,224,820                           | 1,596,906                          |
| Long-term liabilities - discontinued operations   | —                                   | 23,943                             |
| <b>TOTAL LIABILITIES</b>  | <b>2,224,820</b>                    | <b>1,620,849</b>                   |
| <b>Commitments and contingencies</b>  |                                     |                                    |
| Stockholders' (deficit) equity:   |                                     |                                    |
| Preferred stock, \$.001 par value; 5,000,000 shares authorized at September 30, 2018 and December 31, 2017; no shares issued and outstanding                                    | —                                   | —                                  |
| Common stock, \$.001 par value; 45,000,000 shares authorized at September 30, 2018 and December 31, 2017; 16,200,369 and 12,662,974 shares issued and outstanding, respectively | 16,200                              | 12,663                             |
| Additional paid-in capital  | 28,188,474                          | 24,646,229                         |
| Accumulated deficit   | (30,390,354)                        | (16,524,413)                       |
| <b>TOTAL STOCKHOLDERS' (DEFICIT) EQUITY</b>   | <b>(2,185,680)</b>                  | <b>8,134,479</b>                   |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY</b>   | <b>\$ 39,140</b>                    | <b>\$ 9,755,328</b>                |

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

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

|  | <b>Three Months Ended</b> |                       | <b>Nine Months Ended</b> |                       |
|--|---------------------------|-----------------------|--------------------------|-----------------------|
|  | <b>September 30,</b>      |                       | <b>September 30,</b>     |                       |
|  | <b>2018</b>               | <b>2017</b>           | <b>2018</b>              | <b>2017</b>           |
| Revenue, net   | \$ 27,868                 | \$ 40,293             | \$ 144,008               | \$ 160,494            |
| Gross margin   | 27,868                    | 40,293                | 144,008                  | 160,494               |
| Operating expenses:  |                           |                       |                          |                       |
| General and administrative   | 743,494                   | 512,145               | 1,890,547                | 1,518,714             |
| Impairment - intangible assets   | —                         | —                     | 231,037                  | —                     |
| Professional and consulting fees   | 193,784                   | 218,320               | 1,014,947                | 912,296               |
| Total operating expenses   | <u>937,278</u>            | <u>730,465</u>        | <u>3,136,531</u>         | <u>2,431,010</u>      |
| Loss from operations before income tax benefit                                     | (909,410)                 | (690,172)             | (2,992,523)              | (2,270,516)           |
| Income tax benefit   | —                         | —                     | —                        | —                     |
| Net loss from continuing operations  | (909,410)                 | (690,172)             | (2,992,523)              | (2,270,516)           |
| Net loss from discontinued operations, net of tax                                  | <u>(324,010)</u>          | <u>(1,771,882)</u>    | <u>(10,673,418)</u>      | <u>(4,865,446)</u>    |
| Net loss   | <u>\$ (1,233,420)</u>     | <u>\$ (2,462,054)</u> | <u>\$ (13,665,941)</u>   | <u>\$ (7,135,962)</u> |
| Loss per share:  |                           |                       |                          |                       |
| Loss from continuing operations:   |                           |                       |                          |                       |
| Basic and diluted  | \$ (0.06)                 | \$ (0.06)             | \$ (0.21)                | \$ (0.24)             |
| Loss from discontinued operations:   |                           |                       |                          |                       |
| Basic and diluted  | \$ (0.02)                 | \$ (0.17)             | \$ (0.72)                | \$ (0.50)             |
| Net Loss:  |                           |                       |                          |                       |
| Basic and diluted  | \$ (0.08)                 | \$ (0.23)             | \$ (0.93)                | \$ (0.74)             |
| Weighted average number of shares used in per share calculation, basic and diluted | <u>15,263,247</u>         | <u>10,714,200</u>     | <u>14,909,586</u>        | <u>9,608,042</u>      |

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

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

|   | Preferred Stock |        | Common Stock |           | Additional         | Accumulated     | Total                            |
|---|-----------------|--------|--------------|-----------|--------------------|-----------------|----------------------------------|
|   | Shares          | Amount | Shares       | Amount    | Paid-in<br>Capital | Deficit         | Stockholders'(Deficit)<br>Equity |
| 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  | —               | —      | —            | —         | 121,442            | —               | 121,442                          |
| Stock based compensation related to employee stock option grant - discontinued operations                   | —               | —      | —            | —         | 427,155            | —               | 427,155                          |
| Issuance of common stock related to acquisition of discontinued operations                                  | —               | —      | 1,621,905    | 1,622     | 3,443,168          | —               | 3,444,790                        |
| Stock based compensation related to warrant issued for consulting services                                  | —               | —      | —            | —         | 169,401            | —               | 169,401                          |
| 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                        |
| 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 and board of directors stock option grants                     | —               | —      | —            | —         | 368,423            | —               | 368,423                          |
| Stock based compensation related to employee stock option grant - discontinued operations                   | —               | —      | —            | —         | 198,822            | —               | 198,822                          |
| Stock based compensation related to repricing of employee warrant grant – discontinued operations           | —               | —      | —            | —         | 10,000             | —               | 10,000                           |
| Stock based compensation related to issuance of common shares to former employees - discontinued operations | —               | —      | —            | —         | 121,000            | —               | 121,000                          |
| Stock based compensation related to issuance of shares in relation to legal settlement with shareholder     | —               | —      | —            | —         | 240,000            | —               | 240,000                          |
| Stock based compensation related to warrants issued for consulting services                                 | —               | —      | —            | —         | 63,580             | —               | 63,580                           |
| Stock based compensation related to common shares and warrants issued to debt holder                        | —               | —      | 200,000      | 200       | 66,300             | —               | 66,500                           |
| Non-cash dividend   | —               | —      | —            | —         | 200,000            | (200,000)       | —                                |
| Issuance of common stock related to public offering   | —               | —      | 2,200,000    | 2,200     | 1,943,800          | —               | 1,946,000                        |
| Exercise of common stock warrants   | —               | —      | 1,056,750    | 1,057     | 305,400            | —               | 306,457                          |
| Exercise of common stock options  | —               | —      | 80,645       | 80        | 24,920             | —               | 25,000                           |
| Net loss  | —               | —      | —            | —         | —                  | (13,665,941)    | (13,665,941)                     |

|                            |          |    |          |                   |    |               |                     |    |                     |    |                    |
|----------------------------|----------|----|----------|-------------------|----|---------------|---------------------|----|---------------------|----|--------------------|
| Balance—September 30, 2018 | <u>—</u> | \$ | <u>—</u> | <u>16,200,369</u> | \$ | <u>16,200</u> | <u>\$28,188,474</u> | \$ | <u>(30,390,354)</u> | \$ | <u>(2,185,680)</u> |
|----------------------------|----------|----|----------|-------------------|----|---------------|---------------------|----|---------------------|----|--------------------|

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

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

|   | <b>Nine Months Ended</b> |                |
|---|--------------------------|----------------|
|   | <b>September 30,</b>     |                |
|   | <b>2018</b>              | <b>2017</b>    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                    |                          |                |
| Net loss  | \$ (13,665,941)          | \$ (7,135,962) |
| Adjustments to reconcile net loss to net cash used in operating activities:     |                          |                |
| Impairment - Intangible assets  | 231,037                  | —              |
| Stock-based compensation  | 738,503                  | 408,983        |
| Amortization of acquired intangibles  | 40,833                   | 57,137         |
| Loss from discontinued operations   | 10,673,418               | 4,865,446      |
| Changes in operating assets and liabilities:                                    |                          |                |
| Accounts receivable   | (34,353)                 | —              |
| Accounts payable and accrued liabilities  | (239,338)                | 371,752        |
| Net cash used in operating activities of continuing operations                  | (2,255,841)              | (1,432,644)    |
| Net cash used in operating activities of discontinued operations                | (932,828)                | (3,148,110)    |
| Net cash used in operating activities   | (3,188,669)              | (4,580,754)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                    |                          |                |
| Net cash used in investing activities of discontinued operations                | (21,849)                 | (1,008,950)    |
| Net cash used in investing activities   | (21,849)                 | (1,008,950)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                    |                          |                |
| Proceeds from issuance of common stock  | 1,946,000                | 1,525,000      |
| Proceeds from exercise of stock option and warrants                             | 306,457                  | —              |
| Proceeds from notes payable   | 1,010,000                | —              |
| Proceeds from notes payable - related party                                     | 300,000                  | —              |
| Payment on loan payable   | (390,000)                | —              |
| Net cash provided by financing activities of continuing operations              | 3,172,457                | 1,525,000      |
| Net cash provided by financing activities of discontinued operations            | —                        | —              |
| Net cash provided by financing activities                                       | 3,172,457                | 1,525,000      |
| NET INCREASE DECREASE IN CASH   | (38,061)                 | (4,064,704)    |
| CASH - BEGINNING OF PERIOD  | 42,848                   | 4,567,575      |
| CASH - END OF PERIOD  | \$ 4,787                 | \$ 502,871     |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                        |                          |                |
| Cash paid for interest  | \$ 45,625                | \$ —           |
| Cash paid for taxes   | \$ —                     | \$ —           |
| <b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>  |                          |                |
| Stock issued in conjunction with acquisition of SuckerPunch                     | \$ —                     | \$ 1,328,847   |
| Stock issued in conjunction with acquisition of Fight Time Promotions           | —                        | 287,468        |
| Stock issued in conjunction with acquisition of National Fighting Championships | —                        | 366,227        |
| Stock issued in conjunction with acquisition of Fight Club OC                   | —                        | 810,810        |
| Stock issued in conjunction with acquisition of Sheffield video Library         | —                        | 8,500          |
| Non-cash dividend   | 200,000                  | —              |
| Exercise of stock option in settlement of payable balance                       | 25,000                   | —              |

*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 formed in Delaware in February 2015. The Company completed its Initial Public Offering (“IPO”) in October 2016 and began to execute its initial business strategy to acquire regional MMA promotions to form a professional MMA fight league. A total of ten regional MMA promotions were acquired. Additionally, the Company acquired a ticketing software business focused on the MMA industry, an athlete management business, and video production and distribution company to compliment the MMA fight league.

Alliance MMA acquired the following businesses to execute its initial business strategy:

*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”).

*Video Production and Distribution*

- Go Fight Net, Inc. (“GFL”)

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

*Change in Management and Cessation of MMA Promotion and Athlete Management operations*

On February 7, 2018, the Company’s Chief Executive Officer, Paul Danner, resigned his position but remained Chairman of the Board and Director through May 1, 2018. Also, on February 7, 2018, the Company terminated the employment of the Company’s President, Robert Haydak, and its Chief Marketing Officer, James Byrne and named Robert Mazzeo as the Company’s acting Chief Executive Officer. Effective May 23, 2018, board of directors’ member, Renzo Gracie, resigned. On May 24, 2018, Robert Mazzeo resigned as Chief Executive Officer. On May 25, 2018, management and the Board of Directors committed the Company to an exit/disposal plan of the MMA promotion business because it did not believe the MMA business unit could generate sufficient operating cash flows to fund the ongoing operations. On June 6, 2018, the Company’s board of directors appointed John Price, the Company’s CFO, Co-President of the Company. On September 13, 2018, management and the board of directors extended the exit/disposal plan to the Athlete Management business unit because it did not believe it could generate positive cash flows. On September 26, 2018 the Company entered an agreement to sell SuckerPunch to the former owners. The effective date of the transaction was July 1, 2018.

As of the date of this filing, the Company has disposed of the following businesses:

- CFFC
- HFC
- COGA
- Shogun
- V3
- ITFS
- Fight Time
- NFC
- FCOC
- Victory
- ASM

- GFL
- SuckerPunch

The Company is currently focused on its CageTix business and completing the acquisition of SCWorx.

**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, and general corporate purposes. The Company has incurred losses and experienced negative operating cash flows since the inception of operations in October 2016.

In August 2017, the Company completed a capital raise of \$1.5 million through the private placement of 1,500,000 units, which consisted of one share of common stock and a warrant to purchase one share of common stock at an exercise price of \$1.50. The funds were used for operating capital and a business acquisition.

In October and November 2017, the Company completed a capital raise of \$487,500 through the private placement of 390,000 units, which consisted of one share of common stock and 0.50 of a warrant to purchase one share common stock at an exercise price of \$1.75, (an aggregate of 195,000 warrants). The funds were used for operating capital.

In December 2017, the Company issued a promissory note to an individual for \$300,000 of borrowings for operating capital leading up to our further public offering in January 2018.

In January 2018, the Company completed a capital raise of \$2.15 million gross, through the public placement of 2,150,000 units, which consisted of one share of common stock and .90 of a warrant to purchase common stock at an exercise price of \$1.10, (an aggregate of 1,935,000 warrants). The warrant exercise price ratcheted down to \$0.31 in June 2018 and down to \$0.29 in July 2018 which is the floor price of the ratchet. The funds were used for operating capital.

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.

In January 2018, the Company paid \$345,000 to the promissory note holder of December 2017 as full payment of principal and interest.

In April 2018, the Company issued a promissory note to each of Joseph Gamberale and Joel Tracy, board members, for \$150,000, respectively, for total borrowings of \$300,000. The funds were used for operating capital.

In May 2018, the Company issued a promissory note to an individual for \$200,000 of borrowings for operating capital. In September 2018, the Company agreed to issue the note holder 200,000 common shares and 50,000 warrants with an exercise price of \$0.29 and term of five years in exchange for the noteholder's agreement to convert all interest under the loan into shares of the Company's common stock, and extend the note to December 31, 2018.

In June 2018, the Company entered into a Securities Purchase Agreement ("SPA") with SCWorx Acquisition Corp. ("SCWorx"), under which it agreed to sell up to \$1 million in principal amount of convertible notes and warrants to purchase up to 671,142 shares of common stock. The note is convertible into shares of common stock at a conversion price of \$0.3725 and the warrants have an exercise price of \$0.3725.

On June 29, 2018, the Company sold SCWorx convertible notes in the principal amount of \$500,000 and warrants to purchase 335,570 shares of common stock, for an aggregate purchase price of \$500,000. The Note bears interest at 10% annually and matures on June 27, 2019. The warrant has an exercise price of \$0.3725, term of five years and was vested upon grant. SCWorx agreed in the SPA to fund (i) a second tranche of \$250,000 upon the signing of a merger agreement with the Purchaser and (ii) a third tranche of \$250,000 upon mutual agreement of the Purchaser and Company.

Pursuant to the SPA, on July 31, 2018, the Company sold SCWorx convertible notes in the principal amount of \$60,000 and warrants to purchase 40,269 shares of common stock, for an aggregate purchase price of \$60,000. The Note bears interest at 10% annually and matures on July 31, 2019. The warrant has an exercise price of \$0.3725, term of five years and was vested upon grant.

On August 20, 2018, the Company entered into the Stock Exchange Agreement ("SEA") with SCWorx. Under the Agreement, the Company agreed to purchase from the SCWorx shareholders all the issued and outstanding capital stock of SCWorx, in exchange for which the Company agreed to issue at the closing that number of shares of Company common stock equal to the quotient of \$50,000,000 divided by the closing price of the Company's common stock upon the completion of the acquisition subject to a cap of \$0.67 per share.

Pursuant to the SPA, on August 21, 2018, SCWorx funded \$160,000 of the remaining \$190,000 of the first \$250,000 tranche which was due upon execution of the Stock Exchange Agreement with SCWorx and the Company issued warrants to SCWorx to purchase 127,517 shares of common stock. The warrant has an exercise price of \$0.3725, term of five years and was vested upon grant. As of September 30, 2018 SCWorx has funded \$720,000. To date SCWorx has funded \$800,000 of the aggregate \$1 million contemplated by the SCWorx SPA.

Beginning in August 2018, warrant holders from the January 2018 public placement began to exercise their warrant holdings. For the three months ended September 30, 2018, the Company received \$306,457 in relation to the exercise of 1,056,750 warrants, resulting in the issuance of the same number of common shares.

The Company currently has virtually no cash on hand, has an accumulated deficit of approximately \$30.0 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 the one year period following 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.

***Basis of Presentation and Principles of Consolidation***

The accompanying interim unaudited condensed consolidated financial statements as of September 30, 2018 and December 31, 2017, and for the three and nine months ended September 30, 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 financial statements. 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 unaudited condensed consolidated financial statements should be read in conjunction with the annual audited 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 and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the full year ended 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 US 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 valuation and recognition of stock-based compensation expense, loss contingencies, discontinued operations and income taxes. Actual results could differ materially from those estimates.

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

**Note 2. Summary of Significant Accounting Policies**

There have been no significant changes in the Company's significant accounting policies during the nine months ended September 30, 2018, as compared to the Significant Accounting Policies described in the Form 10-K with the exception of the revenue recognition policy.

***Revenue Recognition***

*Ticket Service Revenue (Current Operations)*

The Company acts as a ticket agent for third-party 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.

*Promotion Revenue (Discontinued Operations)*

The Company recognized revenue, net of sales tax, when it satisfied 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 were recognized at a point in time when an event was exhibited to a customer live or PPV, and when a customer took possession of apparel or food and beverage offerings. Promotion revenue is a component of discontinued operations.

*Fighter Commission Revenue (Discontinued Operations)*

The Company recognized revenue when it satisfied a performance obligation by transferring control over a product or service to a customer. The Company recognized commission revenue upon the completion of a contracted athlete's performance.

***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, services 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 second quarter of 2018, the Company recorded a goodwill impairment charge related to the SuckerPunch acquisition of \$1.5 million, which is included as a component of Net loss from discontinued operations, net of tax for the nine months ended September 30, 2018.

### *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."

During the second quarter of 2018, the Company recorded an intangible impairment charge related to the SuckerPunch acquisition of \$182,546 which is included as a component of net loss from discontinued operations, net of tax for the nine months ended September 30, 2018.

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

**Note 3. Discontinued Operations**

On May 25, 2018, the Company commenced cessation of all the professional MMA promotion operations and supporting functions including ASM and began a plan of disposition. This action included the termination of all promotion and support employees. As of June 30, 2018, all the MMA promotions were either disposed or ceased operations. On September 13, 2018, the Company commenced cessation of the Athlete Management operations and began a plan of disposition. This action included the termination of all Athlete Management employees. As of September 30, 2018, the Athlete Management business unit was disposed.

The Company has reported the results of operations and financial position of the discontinued Professional MMA Promotion and Athlete Management businesses in discontinued operations within the condensed consolidated statements of operations and condensed consolidated balance sheets for all periods presented.

The results from discontinued operations were as follows:

|                                      | <u>Three Months Ended</u>           |                                 | <u>Nine Months Ended</u>            |                                     |
|--------------------------------------|-------------------------------------|---------------------------------|-------------------------------------|-------------------------------------|
|                                      | <u>September 30,</u><br><u>2018</u> | <u>September</u><br><u>2017</u> | <u>September 30,</u><br><u>2018</u> | <u>September 30,</u><br><u>2017</u> |
| Revenue, net                         | \$ —                                | \$ 1,010,157                    | \$ 1,663,382                        | \$ 2,759,166                        |
| Cost of revenue                      | —                                   | 774,671                         | 1,084,028                           | 1,881,153                           |
| Gross margin                         | —                                   | 235,486                         | 579,354                             | 878,013                             |
| Operating expenses:                  |                                     |                                 |                                     |                                     |
| General and administrative           | 300,754                             | 1,240,415                       | 4,206,288                           | 4,975,580                           |
| Professional and consulting fees     | —                                   | —                               | —                                   | 471                                 |
| Other (income) expense               | —                                   | (672)                           | —                                   | (217)                               |
| Total operating expenses             | 300,754                             | 1,239,743                       | 4,206,288                           | 4,975,834                           |
| Loss from operations                 | (300,754)                           | (1,004,257)                     | (3,626,934)                         | (4,097,821)                         |
| Gain on disposal                     | 96,746                              | —                               | 764,064                             | —                                   |
| Loss on disposal                     | (120,002)                           | —                               | (7,834,491)                         | —                                   |
| Loss before provision for income tax | (324,010)                           | (1,004,257)                     | (10,697,361)                        | (4,097,821)                         |
| Income tax (provision) benefit       | —                                   | (767,625)                       | 23,943                              | (767,625)                           |
| Loss from discontinued operations    | <u>\$ (324,010)</u>                 | <u>\$ (1,771,882)</u>           | <u>\$ (10,673,418)</u>              | <u>\$ (4,865,446)</u>               |

As part of the cessation of its professional MMA promotion business in the second quarter 2018, the Company disposed of all long-lived fixed assets and realized a loss on disposal of approximately \$223,000, the Company also impaired or wrote off intangible assets and goodwill and realized a loss on disposal of \$6.9 million, wrote off receivables of \$190,000 and other assets of \$19,000, which is included as a component of net loss from discontinued operations, net of tax for the nine months ended September 30, 2018.

During the second quarter 2018, the Company sold all the professional MMA promotion businesses, except for Victory, FT and NFC, to the former business owners and terminated/settled existing employment agreements. In relation to the promotion business disposals, the Company settled the \$310,000 earn-out liability related to the Shogun acquisition with the issuance of 366,072 common stock options with a Black-Scholes value of \$94,000, issued 30,000 common stock options to a promoter as severance, and incurred approximately \$246,000 of additional liabilities related to severance payments to former employees. The Company realized a gain of approximately \$160,000 related to the settlement of outstanding accounts payable and a gain of approximately \$276,000 related to settlement with a promoter of customer prepayments and recorded a \$15,000 receivable from the promoter related to the sale of the business. On July 30, 2018, the Company entered a settlement agreement, effective as of May 31, 2018, with a former employee, in relation to the termination of his employment. The Company agreed to pay the former employee \$129,800 and issue a fully vested stock option grant dated July 30, 2018 for 75,000 common shares with a life of 5 years and exercise price of \$0.20. In June 2018, the Company abandoned the Cherry Hill, New Jersey promotion office and recorded a \$167,500 charge for the remaining contractual lease payments, refer to “Note 7 Commitments and contingencies”.

In July 2018, the Company entered a separation agreement with a former employee and agreed to pay \$50,000 in exchange for terminating the employment agreement. On September 26, 2018, the Company entered an agreement to sell the Athlete Management business, SuckerPunch, to the former business owners, the agreement had an effective date of July 1, 2018. The parties agreed to terminate / settle the existing employment agreements. One of the former employees was paid severance until August 31, 2018 and issued the remaining 108,289 common shares held in escrow related to the SuckerPunch acquisition. The Company recognized a stock-based compensation charge of \$31,000 related to the issuance of the 108,289 common shares. The other former employee was paid severance through September 15, 2018 and had his warrant to purchase 93,583 common shares repriced from \$3.74 to \$0.3725. The Company recognized a stock-based compensation charge of \$10,000 related to the repricing of the common stock warrant. The Company recognized a \$70,000 loss in relation to the disposal of the SuckerPunch business. In conjunction with the settlement with the former owner of Fight Club OC, Roy Englebrecht, the shares held in escrow were released as part of the separation agreement. The Company recorded stock based compensation expense of \$55,000, the fair value of the shares on the date the agreement was entered. In September 2018, the Company sold the Victory name and related business assets to a vendor in settlement of an outstanding payable balance of \$33,064. In September 2018, the Company sold Fight Time to the former business owner and terminated the existing settlement arrangement resulting in a gain of \$16,667. In October 2018, the Company resolved its outstanding litigation with Mazzeo Song LLP resulting in the Company agreeing to

pay \$35,000 in settlement of the outstanding payable balance. The Company realized a \$47,000 gain during the third quarter 2018 on the settlement as all invoices had previously been accrued. On November 12, 2018 the Company entered into a separation agreement with the former promoter of Victory and agreed to issue the 121,699 shares held in escrow related to the Victory acquisition. The effective date of the agreement was September 30, 2018 and as a result the Company recognized \$35,000 of stock-based compensation expense.

As of September 30, 2018, the Company has sold all the professional MMA promotion businesses, except for NFC.

The current assets, long-term assets, current liabilities and long-term liabilities of discontinued operations were as follows:

|   | <u>September 30, 2018</u> | <u>December 31, 2017</u> |
|---|---------------------------|--------------------------|
| Cash  | \$ —                      | \$ 305,349               |
| Accounts receivable, net                        | —                         | 225,787                  |
| Other receivables                               | —                         | 71,250                   |
| Current assets - discontinued operations        | <u>\$ —</u>               | <u>\$ 602,386</u>        |
|   | <u>September 30, 2018</u> | <u>December 31, 2017</u> |
| Property and equipment, net                     | \$ —                      | \$ 259,463               |
| Intangible assets, net                          | —                         | 2,615,224                |
| Goodwill  | —                         | 5,963,537                |
| Long-term assets - discontinued operations      | <u>\$ —</u>               | <u>\$ 8,838,224</u>      |
|   | <u>September 30, 2018</u> | <u>December 31, 2017</u> |
| Accounts payable                                | \$ 8,074                  | \$ 67,761                |
| Accrued liabilities                             | 417,530                   | 385,591                  |
| Current liabilities - discontinued operations   | <u>\$ 425,604</u>         | <u>\$ 453,352</u>        |
|   | <u>September 30, 2018</u> | <u>December 31, 2017</u> |
| Long-term deferred tax liability                | \$ —                      | \$ 23,943                |
| Long-term liabilities - discontinued operations | <u>\$ —</u>               | <u>\$ 23,943</u>         |

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

**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. 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 nine months ended September 30, 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.**  
**Notes to Condensed Consolidated Financial Statements**  
*(Unaudited)*

**Final Purchase Allocation – SuckerPunch**

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

|             | <b>Cash</b> | <b>Shares</b> | <b>Warrant<br/>Grant</b> | <b>Consideration<br/>Paid</b> |
|-------------|-------------|---------------|--------------------------|-------------------------------|
| 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 would have been forfeited. During the third quarter 2018, Management entered a separation agreement with the former owner of SuckerPunch and released the shares held under escrow, and recorded stock based compensation expense of \$31,000, the fair value of the shares on the date the agreement was entered.

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

|                                | <b>Final Fair Value</b> |
|--------------------------------|-------------------------|
| 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            |

During the three months ended June 30, 2018, the Company recognized an impairment charge of the net intangible assets and goodwill and fully wrote off these assets. The impairment charge is a component of net loss from discontinued operations, net of tax for the nine months ended September 30, 2018.

**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.

|            | <b>Cash</b> | <b>Shares</b> | <b>Consideration<br/>Paid</b> |
|------------|-------------|---------------|-------------------------------|
| 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. If the gross profit of Fight Time was less than \$60,000 during fiscal year 2017, all 28,000 shares held in escrow were to 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:

|                                | <b>Final Fair Value</b> |
|--------------------------------|-------------------------|
| 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**  
*(Unaudited)*

***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.

|     | <b>Cash</b> | <b>Shares</b> | <b>Consideration<br/>Paid</b> |
|-----|-------------|---------------|-------------------------------|
| 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 Company is currently in negotiations with the former owner of NFC to dispose of this business.

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:

|                                | <b>Final Fair Value</b> |
|--------------------------------|-------------------------|
| 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              |

In conjunction with the cessation of the MMA operations, the Company wrote off the residual intangible and tangible assets which is included as a component of discontinued operations – loss on disposal, for the nine months ended September 30, 2018.

***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.

|               | <b>Cash</b> | <b>Shares</b> | <b>Consideration<br/>Paid</b> |
|---------------|-------------|---------------|-------------------------------|
| Fight Club OC | \$ 207,900  | 693,000       | \$ 1,018,710                  |

Among the assets purchased is a cash balance of \$159,000 related to customer deposits on ticket sales for future 2017 MMA promotion events. 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 was less than \$148,500 during the 12-month period following the acquisition, all 258,818 shares held in escrow would have been forfeited. In conjunction with the settlement with the former owner of Fight Club OC, Roy Englebrecht, the shares held in escrow were released as part of the separation agreement. The Company recorded stock based compensation expense of \$55,000, the fair value of the shares on the date the agreement was entered.

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:

|                                | <b>Final Fair Value</b> |
|--------------------------------|-------------------------|
| 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            |

In conjunction with the cessation of the MMA operations, the Company wrote off the residual intangible and tangible assets which is included as a component of discontinued operations – loss on disposal, for the nine months ended September 30, 2018.

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

***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.

|                               | <b>Cash</b> | <b>Shares</b> | <b>Consideration<br/>Paid</b> |
|-------------------------------|-------------|---------------|-------------------------------|
| 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 would have been 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. During the third quarter 2018, Management entered a separation agreement with the former owner of Victory and released the shares held under escrow, and recorded stock based compensation expense of \$35,000, the fair value of the shares on the date the agreement was entered.

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:

|                                | <b>Final Fair Value</b> |
|--------------------------------|-------------------------|
| 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              |

In conjunction with the cessation of the MMA operations, the Company wrote off the residual intangible and tangible assets which is included as a component of discontinued operations – loss on disposal, for the nine months ended September 30, 2018.

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

**Note 5. Goodwill and Purchased Identifiable Intangible Assets**

*Goodwill*

In May 2018, the Company ceased all professional MMA promotion operations and committed to an exit/disposal plan of the promotion businesses. In September 2018, the Company ceased all athlete management operations and extended its exit/disposal plan to SuckerPunch. In conjunction with the discontinued operations, \$5,963,537 of Goodwill was classified as a component of long term assets - discontinued operations within the December 31, 2017, condensed consolidated balance sheet, which was subsequently impaired during the second quarter 2018. Refer to "Note 3 Discontinued Operations".

During the second quarter of 2018, the Company recorded a goodwill impairment charge related to the SuckerPunch acquisition of \$1.5 million, which is included as a component of net loss from discontinued operations, net of tax for the nine months ended September 30, 2018.

*Intangible Assets*

During the second quarter of 2018, the Company recorded an intangible impairment charge of \$231,037 related to the write down of the ticketing software and promoter relationships acquired intangible assets from the CageTix business acquisitions, which is included as a component of operating expenses for the nine months ended September 30, 2018.

During the second quarter of 2018, the Company recorded an intangible impairment charge of \$182,546 related to the write down of the trademark and brand, fighter contracts, and sponsor relationships acquired intangible assets from the SuckerPunch business acquisitions, which is included as a component of net loss from discontinued operations, net of tax for the nine months ended September 30, 2018.

The change in the carrying amounts of intangible assets for the nine months ended September 30, 2018 is as follows:

|                                    |             |
|------------------------------------|-------------|
| Balance as of December 31, 2017    | \$ 271,870  |
| Amortization                       | 40,833      |
| Impairment – intangibles (CageTix) | 231,037     |
| Balance as of September 30, 2018   | <u>\$ —</u> |

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

Identified intangible assets consist of the following:

| Intangible assets                     | Useful Life | September 30, 2018 |                          |                     |             | December 31, 2017 |                          |                   |
|---------------------------------------|-------------|--------------------|--------------------------|---------------------|-------------|-------------------|--------------------------|-------------------|
|                                       |             | Gross Assets       | Accumulated Amortization | Impairment          | Net         | Gross Assets      | Accumulated Amortization | Net               |
| Ticketing software                    | 3 years     | \$ 90,000          | \$ (52,500)              | \$ (37,500)         | \$ —        | \$ 90,000         | \$ (37,500)              | \$ 52,500         |
| Promoter relationships                | 6 years     | 277,099            | (83,562)                 | (193,537)           | —           | 277,099           | (57,729)                 | 219,370           |
| <b>Total intangible assets, gross</b> |             | <b>\$ 367,099</b>  | <b>\$ (136,062)</b>      | <b>\$ (231,037)</b> | <b>\$ —</b> | <b>\$ 367,099</b> | <b>\$ (95,229)</b>       | <b>\$ 271,870</b> |

Amortization expense for the three months ended September 30, 2018 and 2017, was \$0 and \$19,046, respectively.

Amortization expense for the nine months ended September 30, 2018 and 2017, was \$40,833 and \$57,137, respectively.

In May 2018, the Company ceased all professional MMA promotion operations and committed to an exit/disposal plan of the promotion business. In conjunction with the discontinued operations, \$2,615,224 million of intangible assets, net, were classified as long term assets - discontinued operations within the December 31, 2017, condensed consolidated balance sheet, which were disposed of during the second quarter 2018.

As of September 30, 2018, the balance of intangible assets was \$0.

**Note 6. Debt**

*Notes Payable*

In December 2017, the Company issued a promissory note to 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, an annual interest rate of 40%, 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.

In May 2018, the Company issued a promissory note to an individual for \$90,000 of borrowings for operating capital. The note had a maturity of June 30, 2018, an annual interest rate of 6%, and was paid in full in June 2018, including interest of \$625. The note was secured by our common shares in Round Table Creative, Inc.

On May 9, 2018, the Company borrowed \$200,000 from an individual pursuant to a promissory note. The note bears interest at 40% annually and initially matured on June 25, 2018. In June 2018, the note holder agreed to extend the maturity to December 31, 2018. In September 2018, the Company agreed to issue the note holder 200,000 common shares with a fair value of \$58,000 and 50,000 warrants with an exercise price of \$0.29, term of 5 years, and Black-Scholes fair value of \$8,500, in exchange for the note holder's agreement to convert all interest under the loan into common stock and extend the note to December 31, 2018. Mr. Gamberale personally guaranteed the note and Mr. Gamberale and Mr. Tracy agreed to subordinate their existing notes to the repayment of this note. Interest expense for the three and nine months ended September 30, 2018 was \$22,471 and \$34,425, respectively.

On June 28, 2018, the Company entered into a Securities Purchase Agreement with SCWorx, under which the Company agreed to sell up to \$1M in principal amount of convertible notes and Warrants to purchase up to 671,142 shares of common stock. The Note is convertible into shares of common stock at a conversion price of \$0.3725 and bears interest at 10% annually. The Warrants are exercisable for shares of common stock at an exercise price of \$0.3725.

On June 29, 2018, the Company sold the SCWorx convertible notes in the principal amount of \$500,000 and warrants to purchase 335,570 shares of common stock, for an aggregate purchase price of \$500,000. The Note bears interest at 10% annually and matures on June 27, 2019. SCWorx agreed in the SPA to fund (i) a second tranche of \$250,000 upon the signing of a merger agreement with the Purchaser and (ii) a third tranche of \$250,000 upon mutual agreement of the Purchaser and Company.

Pursuant to the SCWorx SPA, on July 31, 2018, the Company sold SCWorx convertible notes in the principal amount of \$60,000 and warrants to purchase 40,269 shares of common stock, for an aggregate purchase price of \$60,000. The Note bears interest at 10% annually and matures on July 31, 2019. The warrant has an exercise price of \$0.3725, term of five years and was vested upon grant.

On August 20, 2018, the Company entered into the Stock Exchange Agreement (SEA) with SCWorx Corp., Under the Agreement, the Company agreed to purchase from the SCWorx shareholders all the issued and outstanding capital stock of SCWorx, in exchange for which the Company agreed to issue at the closing that number of shares of Company common stock equal to the quotient of \$50,000,000 divided by the closing price of the Company's common stock upon the completion of the acquisition (subject to a cap of \$0.67 per share).

Consummation of the transactions contemplated by the SEA is subject to satisfaction of a variety of conditions, including approval by the Company and SCWorx' shareholders and the combined company meeting the listing qualifications for initial inclusion on the Nasdaq Stock Market.

Consequently, there is no assurance that the Company will be able to consummate the transactions contemplated by the SEA. If the Company completes the planned acquisition, management may dispose of the fighter management and ticketing businesses and focus on

the SCWorx SAAS business, which is focused on streamlining the three core healthcare provider systems; Supply Chain, Financial and Clinical (EMR) enabling providers' enterprise systems to work as one automated and seamless business management system.

Pursuant to the SCWorx SPA, on August 21, 2018 and October 16, 2018, SCWorx funded \$160,000 and \$30,000, respectively, of the remaining \$190,000 of the \$250,000 tranche which was due upon execution of the Stock Exchange Agreement with SCWorx, for which SCWorx was issued warrants to purchase an aggregate of 127,517 shares of common stock. The warrant has an exercise price of \$.3725, term of five years, and was vested upon grant. On November 6, 2018, SCWorx funded an additional \$50,000 convertible note with a conversion price of \$.30 per share, for which it received an additional 41,667 warrants, with an exercise price of \$.30 per share. SCWorx has to date funded \$800,000 of the aggregate \$1 million contemplated by the SCWorx SPA.

The Company applied a portion of the proceeds of the \$500,000 note to repay the aforementioned \$90,000 promissory note. Accordingly, the lien on the capital stock of SuckerPunch Entertainment was released. During the third quarter 2018, the SuckerPunch business was disposed.

As of September 30, 2018, the Company received \$720,000 under the agreement.

As of the date of this filing, the Company has received \$800,000 under the agreement.

Interest expense, for borrowings under the various SCWorx notes, for the three and nine months ended September 30, 2018 was \$15,131 and \$15,405, respectively.

#### **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.

Interest expense for the three and nine months ended September 30, 2018 was \$4,731 and \$8,830 for each note.

On May 21, 2018 Mr. Gamberale agreed to extend the maturity to August 31, 2018. The repayment of this note is subordinate to the \$200,000 promissory note of May 9, 2018. In July 2018, Mr. Gamberale agreed to convert his note to common shares (at a rate of \$.3725 per share) and warrants (25% warrant coverage with an exercise price of \$.3725 per share) (same terms as the SCWorx investment). As of the date of this report, the note has not been converted.

On May 21, 2018 Mr. Tracy agreed to extend the maturity to December 31, 2018.

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

**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, comprised of 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. In June 2018, the Company abandoned the facility and on June 21, 2018 the sub-landlord filed suit against the Company for non-payment of rent. Currently the Company is in negotiations to settle the remaining payments due under the leases and has accrued the remaining amount due of \$167,475, at June 30, 2018, within current liabilities - discontinued operations of the condensed consolidated balance sheet.

With the acquisition of FCOC, the Company assumed a lease for office space in Orange County, California. The lease originally expired in September 2018. In conjunction with the discontinued operations the Company agreed to sell Fight Club OC to the former owner Roy Englebrecht which included the Orange County, California office lease.

Lease expense for the Cherry Hill, New Jersey and Orange County, CA facilities is included as a component of discontinued operation - general and administrative expense.

Each of the acquired businesses operated from home offices or shared office space arrangements.

***Warrants***

In conjunction with the stock offering completed in January 2018, the Company issued warrants with a provision requiring the Company to pay the warrant holder the Black - Scholes value of the warrant upon a fundamental transaction. On August 20, 2018, the Company entered into a Stock Exchange Agreement with SCWorx. which upon closing will qualify as a fundamental transaction within the warrant agreement. For illustration purposes only, if the stock price at closing was \$0.67, the Black - Scholes value would approximate \$0.53 per share based upon today's volatility and risk-free interest rate. As of November 12, 2018, there were 1.4 million warrants outstanding which are subject to this Black - Scholes payout provision.

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

**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, subject to our payment of a deductible of \$250,000, of which approximately \$103,000 is included within accounts payable. The complaint was dismissed in October 2018.

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.

In June 2018, the landlord of our Cherry Hill, New Jersey office filed suit against the Company for non-payment of rent. Currently the Company is in negotiations to settle the remaining payments due under the lease. The Company recorded \$167,000 of expense related to the lease within discontinued operations - general and administrative for the cost of the remaining payments under the lease agreement. This amount is accrued for at June 30, 2018 within the current liabilities - discontinued operations balance.

In June 2018, the Company's former President, Robert Haydak, filed suit against the Company. The Company and Mr. Haydak resolved the suit effective July 2018 with the Company agreeing on a cash settlement of \$50,000, and delivery of certain MMA promotion fixed assets. The Company has accrued the settlement as of June 30, 2018 which is included within discontinued operations - general and administrative expense and current liabilities - discontinued operations balance.

On October 19, 2018, the company issued Red Diamond Partners 794,483 shares of common stock in consideration of a "most favored nation" clause contained in a common stock subscription agreement. In relation to the settlement agreement the parties terminated the original agreement.

*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. In conjunction with the cessation of the professional MMA promotions, the Company sold the Shogun promotion to the former owner and settled the earn out liability with the issuance of 366,072 options with an exercise price of \$0.35 per option and Black-Scholes value of \$94,000.

**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 secondary 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 original exercise price of \$1.10 per share.

The warrants have a price adjustment provision ("ratchet") in cases where the Company sells common stock or settles liabilities with equity, in each case at a lower price than is reflected in the Warrants. During June, July and August, the Company completed qualifying transactions under the SCWorx note resulting in the Warrant exercise price being adjusted to \$0.31 in June and \$0.29 in July, which is the lowest amount the warrant can be repriced to. Based upon ASU 2017-11, the decrease in the exercise price of the warrant has been fair valued at approximately \$190,000 and accounted for as a non-cash dividend within the condensed consolidated balance sheet. The warrant also has a provision requiring the Company to pay the warrant holders the Black-Scholes value of the warrant upon consummation of a fundamental transaction. On August 20, 2018, the Company entered a stock exchange agreement with SCWorx which, upon closing, meets this definition. For illustration purposes only, if the stock price at closing was \$0.67, the Black-Scholes value would approximate \$0.53 per share based upon today's volatility and risk-free interest rate. As of the date this filing, there were 1,141,500, warrants outstanding which are

subject to this Black-Scholes payout provision.

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 half a share of common stock, 195,000 shares in total, at an exercise price of \$1.75 per share.

The warrant issued with the October common stock placement included a price ratchet provision for cases where the Company sells common stock or settles liabilities with equity, in each case at a lower price than is reflected in the warrants. The Company completed a transaction which resulted in the warrant exercise price being adjusted to \$1.10. Based upon ASU 2017-11, the decrease in the exercise price of the warrant has been fair valued at approximately \$10,000 and accounted for as a non-cash dividend within the condensed consolidated balance sheet. There is no further reduction to the exercise price as this provision has expired.

#### *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.

#### *Option Grants*

In August 2016, the Company entered into an employment agreement with John Price as the Company's President and 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 had a term of ten years, an exercise price of \$4.50, and a grant date fair value of \$364,326, and vested one third of the shares on the one year anniversary of the grant date and one third annually thereafter. The Company recognized \$61,000 of stock-based compensation expense during the six months ended June 30, 2018. On June 6, 2018, the Company cancelled the original stock option grant and issued a new stock option grant to acquire 200,000 shares of the Company's common stock. The stock option has a term of five years, an exercise price of \$0.36, was vested upon grant, and had a grant date fair value of \$42,000. The Company determined the fair value of the stock option using the Black - Scholes model.

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. In February 2018, Mr. Byrne was terminated, and in May 2018, the Company entered a separation agreement for \$25,000 and agreed to cancel Mr. Byrne's existing stock option grant and issue a new award. On June 27, 2018, the Company issued a stock option grant outside the 2016 Equity Incentive Plan to acquire 100,000 shares of the Company's common stock. The stock option has a term of 5 years, an exercise price of \$0.31 per share, was vested upon grant, and had a grant date fair value of \$17,000. The Company determined the fair value of the stock option using the Black-Scholes model.

On May 25, 2018, the Company commenced the cessation of the professional MMA promotion business. In relation to the disposal of the Iron Tiger Fight Series promotion, the Company awarded the former owner, Scott Sheeley, a stock option grant to acquire 30,000 shares of the Company's common stock. The stock option has a term of five years, and an exercise price of \$0.35 and a Black - scholes value of \$7,674, which is included as a component of discontinued operations - general and administrative expense.



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

*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. In May 2018, in conjunction with the cessation of the professional MMA business, three of the employees were terminated, and 100,000 unvested options were returned to the plan. During the third quarter an additional 50,000 options were returned to the plan as forfeited.

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 authorized a stock option grant to Robert Mazzeo, CEO and Ira Rainess EVP of Business Affairs. 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 the date of this report the option agreements had not been issued.

On May 25, 2018, the Company commenced cessation of the professional MMA promotion business. In relation to the disposal of the Shogun promotion, the Company awarded the former owner, John Rallo, a stock option grant to acquire 366,072 shares of the Company's common stock. The stock option was vested upon grant, has a term of five years, an exercise price of \$0.35 and a Black-Scholes value of \$94,000. The option award was issued as settlement of the \$310,000 earn-out, the Company realized a gain of \$216,000, which is included as a component of discontinued operations - general and administrative expense.

On June 6, 2018, the Company awarded Burt Watson, the Company's Vice President of Operations, a stock option grant to acquire 75,000 shares of the Company's common stock. The option has a term of five years, an exercise price of \$0.36, and a grant date fair value of \$19,100, and was fully-vested upon grant. The Company determined the fair value of the stock option using the Black-Scholes model.

On June 6, 2018, the Company awarded each of its directors, Joe Gamberale, Joel Tracy and Burt Watson, a stock option grant to acquire 150,000 shares of the Company's common stock. Each option has a term of five years, an exercise price of \$0.36, and a grant date fair value of \$38,000, and was fully-vested upon grant. The Company determined the fair value of the stock option using the Black-Scholes model.

On July 30, 2018, in relation to the disposal of the CFFC promotion, the Company awarded the former owner, Michael Constantino, a stock option grant to acquire 75,000 shares of the Company's common stock. The stock option has a term of five years, an exercise price of \$0.20 and a grant date fair value of \$10,500 and was fully-vested upon grant. The Company determined the fair value of the stock option using the Black-Scholes Model. The grant date fair value is included as a component of discontinued operations - general and administrative expense. The effective date of the agreement was May 31, 2018.

On August 14, 2018, the Company awarded John Price, the Company's President and Chief Financial Officer, a stock option grant to acquire 200,000 shares of the Company's common stock. The option has a term of five years, an exercise price of \$0.18, and a grant date fair value of \$25,000, and was fully-vested upon grant. The Company determined the fair value of the stock option using the Black-Scholes model.

On September 13, 2018, the Company awarded John Price, the Company's President and CFO, a stock option grant to acquire 250,000 shares of the Company's common stock. The option has a term of five years, an exercise price of \$0.31, and a grant date fair value of \$55,000, and was fully-vested upon grant. The Company determined the fair value of the stock option using the Black-Scholes model.

On September 13, 2018, the Company awarded Joseph Gamberale, the Company's board member, a stock option grant to acquire 250,000 shares of the Company's common stock. The option has a term of five years, an exercise price of \$0.31, and a grant date fair value of \$55,000, and was fully-vested upon grant. The Company determined the fair value of the stock option using the Black-Scholes model.

On September 13, 2018, the Company awarded Jason Schneider, the Company's Vice President of Operations, a stock option grant to acquire 75,000 shares of the Company's common stock. The option has a term of five years, an exercise price of \$0.31, and a grant date fair value of \$16,500, and was fully-vested upon grant. The Company determined the fair value of the stock option using the Black-Scholes model.

*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 common 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. In September 2018, the Company disposed of SuckerPunch and agreed to reprice the warrant to acquire 93,583 common shares to \$0.3725 per share. The Company recognized a stock based compensation expense of \$10,000 related to the repricing.

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. The Company determined the fair value of the warrant to be \$169,000 which was expensed in the second quarter 2017. The Company determined the fair value of the warrant using the Black-Scholes model.

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. The service agreement allowed 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 Company terminated the agreement during the third quarter 2018 and issued no additional warrants. The Company determined the fair value of the warrant to be \$38,000 which was expensed in the first quarter 2018. The Company determined the fair value of the warrant using the Black-Scholes model.

On April 11, 2018, the Company entered into a service agreement with a consultant, 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. The Company determined the fair value of the warrant using the Black-Scholes model and determined the value to be \$25,580, which was expensed during the second quarter 2018.

In May 2018, the Company issued a promissory note to an individual for \$200,000 of borrowings for operating capital. In September 2018, the Company agreed to issue the note holder 200,000 common shares with a fair value of \$58,000 and 50,000 warrants with an exercise price of \$0.29 and term of five years and a fair value of \$8,500, in exchange for the noteholder's agreement to convert all interest under the loan into shares of the Company's common stock, and extend the note to December 31, 2018. Additionally, the shareholder may participate in a planned preferred stock offering.

During the second and third quarters of 2018, the Company issued warrants to acquire 503,356 common shares in relation to the previously mentioned transactions with SCWorx.

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 September 30, 2018 are:

|                                   | Warrant Grants                       |   | Stock Option Grants                 |   |
|-----------------------------------|--------------------------------------|---|-------------------------------------|---|
|                                   | Number of Shares Subject to Warrants | Weighted-Average Exercise Price Per Share | Number of Shares Subject to Options | Weighted-Average Exercise Price Per Share |
| Balance at December 31, 2017      | 2,239,574                            | \$ 2.50                                   | 725,000                             | \$ 3.15                                   |
| Granted                           | 2,960,606                            | 0.37                                      | 2,071,072                           | 0.32                                      |
| Exercised                         | (1,056,750)                          | 0.29                                      | (80,645)                            | 0.31                                      |
| Cancelled/Forfeited               | -                                    | -   | (450,000)                           | 3.98                                      |
| Balance at September 30, 2018     | 4,143,430                            | \$ 1.55                                   | 2,265,427                           | \$ 0.50                                   |
| Exercisable at September 30, 2018 | 4,143,430                            | \$ 1.55                                   | 2,211,260                           | \$ 0.48                                   |

As of September 30, 2018 and 2017, the total unrecognized expense for unvested stock options, net of expected forfeitures, was approximately \$71,848 and \$642,694, respectively. \$71,848 of the unrecognized expense at September 30, 2018 is related to our continuing operations.

Stock-based compensation expense for the three and nine months ended September 30, 2018 and 2017 is as follows:

|                                    | Three Months Ended September 30, |            | Nine Months Ended September 30, |            |
|------------------------------------|----------------------------------|------------|---------------------------------|------------|
|                                    | 2018                             | 2017       | 2018                            | 2017       |
| General and administrative expense | \$ 457,161                       | \$ 178,861 | \$ 738,503                      | \$ 408,983 |

Stock-based compensation expense included in discontinued operations for the three and nine months ended September 30, 2018 and 2017 is as follows:

|                                    | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|------------------------------------|----------------------------------|-----------|---------------------------------|------------|
|                                    | 2018                             | 2017      | 2018                            | 2017       |
| General and administrative expense | \$ 158,534                       | \$ 48,149 | \$ 329,822                      | \$ 379,005 |

Stock-based compensation expense categorized by the equity components for the three and nine months ended September 30, 2018 and 2017 is as follows:

| Three Months Ended | Nine Months Ended |
|--------------------|-------------------|
|--------------------|-------------------|

|                     | September 30, |            | September 30, |            |
|---------------------|---------------|------------|---------------|------------|
|                     | 2018          | 2017       | 2018          | 2017       |
| Stock option awards | \$ 178,395    | \$ 78,510  | \$ 567,445    | \$ 470,087 |
| Warrants            | 18,500        | —          | 82,080        | 169,401    |
| Common stock        | 418,800       | 148,500    | 418,800       | 148,500    |
|                     | \$ 615,695    | \$ 227,010 | \$ 1,068,325  | \$ 787,988 |

**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 from continuing operations per share and net loss per share for the periods presented:

|  | <b>Three Months Ended<br/>September 30,</b> |                     | <b>Nine Months Ended<br/>September 30,</b> |                       |
|--|---|---------------------|--|-----------------------|
|  | <b>2018</b>                                 | <b>2017</b>         | <b>2018</b>                                | <b>2017</b>           |
| Net loss from continuing operations  | \$ (909,410)                                | \$ (690,172)        | \$ (2,992,523)                             | \$ (2,270,516)        |
| Non-cash dividend  | —   | —                   | 200,000                                    | —                     |
| Adjusted net loss from continuing operations for common shareholders                   | <u>\$ (909,410)</u>                         | <u>\$ (690,172)</u> | <u>\$ (3,192,523)</u>                      | <u>\$ (2,270,516)</u> |
| Weighted-average common shares used in computing net loss per share, basic and diluted | <u>15,263,247</u>                           | <u>10,714,200</u>   | <u>14,909,586</u>                          | <u>9,608,042</u>      |
| Net loss per share, basic and diluted  | <u>\$ (0.06)</u>                            | <u>\$ (0.06)</u>    | <u>\$ (0.21)</u>                           | <u>\$ (0.24)</u>      |

|  | <b>Three Months Ended<br/>September 30,</b> |                       | <b>Nine Months Ended<br/>September 30,</b> |                       |
|--|---|-----------------------|--|-----------------------|
|  | <b>2018</b>                                 | <b>2017</b>           | <b>2018</b>                                | <b>2017</b>           |
| Net loss   | \$ (1,233,420)                              | \$ (2,462,054)        | \$ (13,665,941)                            | \$ (7,135,962)        |
| Non-cash dividend  | —   | —                     | 200,000                                    | —                     |
| Adjusted net loss for common shareholders  | <u>\$ (1,233,420)</u>                       | <u>\$ (2,462,054)</u> | <u>\$ (13,865,941)</u>                     | <u>\$ (7,135,962)</u> |
| Weighted-average common shares used in computing net loss per share, basic and diluted | <u>15,263,247</u>                           | <u>10,714,200</u>     | <u>14,909,586</u>                          | <u>9,608,042</u>      |
| Net loss per share, basic and diluted  | <u>\$ (0.08)</u>                            | <u>\$ (0.23)</u>      | <u>\$ (0.93)</u>                           | <u>\$ (0.74)</u>      |

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:

|  | <b>Three Months Ended<br/>September 30,</b> |                | <b>Nine Months Ended<br/>September 30,</b> |                |
|--|---|----------------|--|----------------|
|  | <b>2018</b>                                 | <b>2017</b>    | <b>2018</b>                                | <b>2017</b>    |
| Stock options (exercise price \$0.18 - \$4.50 per share) | 2,265,427                                   | 166,666        | 2,265,427                                  | 166,666        |
| Warrants (exercise price \$0.29 - \$7.43)                | 4,143,430                                   | 482,480        | 4,143,430                                  | 482,480        |
| Total common stock equivalents                           | <u>6,408,857</u>                            | <u>649,146</u> | <u>6,408,857</u>                           | <u>649,146</u> |

**Note 10. Subsequent Events**

On October 19, 2018, the company issued Red Diamond Partners 794,483 shares of common stock in consideration of (i) a "most favored nation" clause contained in a common stock subscription agreement and (ii) the termination of said agreement. The fair value of the stock issuance was \$240,600, based upon the fair value of our common stock.

On November 6, 2018, the Company issued a \$50,000 convertible note and warrants to purchase 41,667 shares to SCWorx for a purchase price of \$50,000. The Note and warrants have an initial conversion/exercise price of \$.30, subject to adjustment for the issuance of certain lower priced securities. In October, the Company received \$30,000, the remaining payment related to the \$750,000 convertible note.

As previously reported, the Company has not been in compliance with Nasdaq's minimum bid price requirement of \$1.00 per share, as set forth in Nasdaq Listing Rule 5550(a)(2), for continued listing on Nasdaq. On August 29, 2018, the Nasdaq officially notified the Company that it (i) did not meet the Nasdaq's stockholder equity requirement of \$2.5 million for continued listing, as set forth in Nasdaq Listing Rule 5550(b)(1), (ii) continues to not meet the Nasdaq's minimum bid price requirement of \$1.00 per share, for continued listing, as set forth in Nasdaq Listing Rule 5550(a)(2), and (iii) did not meet the Nasdaq periodic reporting requirement set forth in Nasdaq Listing Rule 5250(c) (1) because the Company had not as of August 29, 2018, filed this Quarterly Report on Form 10Q for the quarter ended June 30, 2018. The Company has since filed its Quarterly Report on Form 10Q for the quarter ended June 30, 2018, curing the periodic reporting deficiency.

Also, as previously reported, on August 30, 2018, the Company requested a hearing to appeal the Nasdaq's delisting determination. On October 25, 2018, as part of the appeal process, the Company presented to the Nasdaq the Company's plan for meeting the Nasdaq's

original listing qualifications, in connection with the closing of the business combination of SCWorx. In order for the Company's common stock to qualify for listing on the Nasdaq Stock Market following completion of the acquisition, the Company will be required to meet the Nasdaq's listing standards for original listing (including among others its minimum bid price of \$4 per share and minimum \$5 million of stockholders' equity).

On November 9, 2018, The Nasdaq Stock Market LLC ("Nasdaq") notified the Company that the Nasdaq Hearings Panel (the "Panel") granted the Company's request for continued listing on The Nasdaq Capital Market, subject to the Company's satisfaction of certain conditions, including interim funding milestones.

In accordance with the Nasdaq's decision, subject to compliance with the interim funding milestones, which the Company has not met, the Company has until February 25, 2019 to complete its acquisition of SCWorx and demonstrate that the combined company satisfies the requirements for initial listing on The Nasdaq Capital Market.

Under the Panel's decision, the Company was to have completed the interim funding milestone by November 15, 2018. Although the Company has made substantial progress towards meeting such milestone, the Company has not yet completed the required funding. Accordingly, the Company has requested that the Panel (i) reduce the amount of the required funding milestone and (ii) extend the time for completion of funding to November 30, 2018.

There is no assurance that the Nasdaq will agree to these Company requests. The Company believes that even at the reduced funding level, the combined company will still exceed the applicable Nasdaq stockholder equity requirement. If the Nasdaq does not agree to the Company's requests, the Company will be delisted from the Nasdaq.

Even if the Panel grants the Company's requests, there is no assurance that the Company will be able to satisfy the Panel's revised conditions. If the Company is unable to fully comply with the terms of the Panel's decision, including any revisions thereto, the company's common stock could be delisted from The Nasdaq Capital Market which would have a material adverse effect on the company's business and on the trading of its common stock. In addition, if the Company's common stock is delisted from the Nasdaq Stock Market, there would be a failure of a closing condition to the SCWorx business combination, which, if not waived by SCWorx, would result in the termination of such transaction, which would have a material adverse effect on the Company.

On October 24, 2018, the Company issued 500,000 shares of common stock as collateral to secure the Company's payment to a vendor by the due date of November 23, 2018, as extended. The stock based compensation expense associated with the award was approximately \$136,500.

Effective October 24, 2018, the Company's board of directors appointed Charles K. Miller a member of the Board and to serve on the Compensation and Audit Committees of the Board of Directors. The Board of Directors appointed Mr. Miller because of his strong corporate governance, business finance and technology expertise. The Board of Directors believes that Mr. Miller's skills will be essential in connection with the anticipated completion of the Company's acquisition of SCWorx. As compensation for serving in the foregoing capacities through December 31, 2018, the Board of Directors awarded Mr. Miller 62,500 shares of common stock which are fully vested. As of the date of this filing, the Company has not issued the shares. The stock based compensation expense associated with the award was approximately \$17,500.

## 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, 21<sup>st</sup> Floor, New York, New York, 10022. Our telephone number is (212) 739-7825.

### Our Business

Alliance MMA began its operations as a sports media company operating regional mixed martial arts (“MMA”) promotion business under the Alliance MMA name as well as under the trade names of the regional promoters we acquired. The fighters who participated in our MMA promotions were provided the opportunity to develop and showcase their talents for advancement to the next level of professional MMA competition. On May 25, 2018, the Board of Directors, along with management, committed the Company to an exit/disposal plan of the promotion business because it did not believe the business units were able generate sufficient operating cash flows to fund the ongoing operations. As of the date of this filing the Company has disposed of the following promotion and athlete management businesses:

- CFFC
- HFC
- COGA
- Shogun
- V3
- ITFS
- Fight Time
- NFC
- FCOC
- Victory
- ASM
- GFL
- SuckerPunch

The Company is focused on operating its MMA ticketing platform, CageTix, along with completing the acquisition of SCWorx, pursuant to the SEA executed August 20, 2018.

### *Ticketing Platform*

CageTix – founded in 2009, CageTix focusses its ticket sales service on the MMA industry. CageTix presently services many of the industry's top U.S. mixed martial arts events.

### *Enhancing the CageTix Ticketing Platform*

The CageTix platform provides significant benefits to third party MMA 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.

## **Proposed SCWorx Acquisition**

As described elsewhere in this Report, on August 20, 2018, the Company entered into a Stock Exchange Agreement (SEA) with SCWorx Corp., a software as services (“SAAS”) company servicing the healthcare industry, under which the Company agreed to purchase from the SCWorx shareholders all the issued and outstanding capital stock of SCWorx, in exchange for which the Company agreed to issue at the closing that number of shares of Company common stock equal to the quotient of \$50,000,000 divided by the closing price of the Company’s common stock upon the completion of the acquisition (subject to a cap of \$.67 per share). Consummation of the transactions contemplated by the SEA is subject to satisfaction of a variety of conditions, including approval by the Company and SCWorx’ shareholders and the combined company meeting the listing qualifications for initial inclusion on the Nasdaq Stock Market.

Consequently, there is no assurance that the Company will be able to consummate the transactions contemplated by the SEA. If the Company completes the planned acquisition, management may dispose of the ticketing businesses and focus on the SCWorx SAAS business, which is focused on streamlining the three core healthcare provider systems; Supply Chain, Financial and Clinical (EMR) enabling providers’ enterprise systems to work as one automated and seamless business management system.

SCWorx offers an advanced software solution for the management of health care providers’ foundational business applications, empowering its customers to significantly reduce costs, drive better clinical outcomes and enhance their revenue. SCWorx supports the interrelationship between the three core healthcare provider systems: Supply Chain, Financial and Clinical. This solution moves data from one application to another to drive supply cost reductions, optimize contracts, increase supply chain management (SCM) cost visibility and control rebates and contract administration fees.

## **Results of Operations - Alliance MMA – 3 months ended September 30, 2018**

### *Revenues*

Our revenue is derived from ticket services from CageTix.

Revenue for the three months ended September 30, 2018 was \$28,000 from ticket services.

Revenue for the three months ended September 30, 2017 was \$40,000 from ticket services.

The decrease in revenue is primarily related to our financial condition and limited working capital to support the businesses. Given our limited financial resources we expect revenue from the business to continue to decline.

### *Expenses*

General and administrative expenses increased \$231,000 to \$743,000 for the three months ended September 30, 2018 compared to \$512,000 for the same period in 2017. Salary and wages decreased \$30,000 as we began to reduce executive head count in February 2018 with major head count reduction in May 2018. Travel decreased \$150,000 related to the cessation of the MMA business and disposal of SuckerPunch. Amortization decreased \$19,000 as we wrote off all acquired intangible related to the cessation of the MMA business and disposal of SuckerPunch. Insurance increased \$67,000 as the Company adjusted for additional coverage for 2018. Stock based compensation increased \$279,000 related to the annual board of directors’ option grants, employee option awards, legal settlement and issuance of shares and warrants to a note holder. Fees increased \$51,000, and other expenses increased \$40,000.

Professional and consulting expenses decreased approximately \$24,000 to \$194,000 for the three months ended September 30, 2018 compared to \$218,000 in the same period of 2017. The decrease in these expenses was due primarily to a decreased of \$59,000 in accounting fees, \$10,000 decrease in consulting fees, and a \$23,000 decrease in IR/PR fees, partially offset by a \$69,000 increase in legal expense. We expect legal and accounting fees to increase as we pursue the completion of the planned SCWorx acquisition transaction described elsewhere in this Report.

Effective July 2018, we disposed of our Athlete Management business, SuckerPunch. In connection with the disposal of SuckerPunch we lost approximately \$70,000 and incurred additional stock-based compensation of \$10,000 related to the repricing of a warrant and \$31,000 related to the issuance of common shares. We incurred \$50,000 in severance related to the cessation of our professional MMA business and \$55,000 of stock compensation expense related to the release of escrow shares to a former promoter. These costs were offset by \$97,000 of gain related to settlements of various accounts payable balances.

## **Results of Operations - Alliance MMA – 9 months ended September 30, 2018**

### *Revenues*

Our revenue is derived from ticket services from CageTix.

Revenue for the nine months ended September 30, 2018 was \$144,000 from ticket services.

Revenue for the nine months ended September 30, 2017 was \$160,000 from ticket services.

The decrease in revenue is primarily related to our financial condition and limited working capital to support the businesses.

### *Expenses*

General and administrative expenses increased approximately \$372,000 to \$1.9 million for the nine months ended September 30, 2018 compared to \$1.5 million in the same period of 2017. Salary and wages decreased \$95,000 as we began to reduce executive head count in February 2018 with major head count reduction in May 2018. Insurance increased \$135,000 as the Company adjusted for additional coverage for 2018. Stock based compensation increased \$330,000 as the Company issued equity awards in 2018 to our board of directors and employees, settled a dispute and issued shares and warrants to a noteholder. Fees increased \$31,000 and other expenses increased \$91,000. Travel decreased \$110,000 and amortization decreased \$16,000.

Professional and consulting expenses increased approximate \$103,000 to \$1.0 million for the nine months ended September 30, 2018 compared to \$912,000 in the same period of 2017. The increase in these expenses was due primarily to an increase of \$82,000 in legal fees, \$54,000 increase in SEC related fees offset by a decrease of \$14,000 in accounting and consulting and \$19,000 decrease in IR/PR fees. We expect legal and accounting fees to increase as we pursue the completion of the planned SCWorx acquisition transaction.

As part of the cessation of its professional MMA promotion business in the second quarter 2018, the Company disposed of all long-lived fixed assets and realized a loss on disposal of approximately \$223,000, the Company also impaired or wrote off intangible assets and goodwill and realized a loss on disposal of \$6.9 million, wrote off receivables of \$190,000 and other assets of \$19,000, which is included as a component of net loss from discontinued operations, net of tax for the nine months ended September 30, 2018.

During the second quarter 2018, the Company sold all the professional MMA promotion businesses, except for Victory, FT and NFC, to the former business owners and terminated/settled existing employment agreements. In relation to the promotion business disposals, the Company settled the \$310,000 earn-out liability related to the Shogun acquisition with the issuance of 366,072 common stock options with a Black-Scholes value of \$94,000, issued 30,000 common stock options to a promoter as severance, and incurred approximately \$246,000 of additional liabilities related to severance payments to former employees. The Company realized a gain of approximately \$160,000 related to the settlement of outstanding accounts payable and a gain of approximately \$276,000 related to settlement with a promoter of customer prepayments and recorded a \$15,000 receivable from the promoter related to the sale of the business. On July 30, 2018, the Company entered a settlement agreement, effective as of May 31, 2018, with a former employee, in relation to the termination of his employment. The Company agreed to pay the former employee \$129,800 and issue a fully vested stock option grant dated July 30, 2018 for 75,000 common shares with a life of 5 years and exercise price of \$0.20. In June 2018, the Company abandoned the Cherry Hill, New Jersey promotion office and recorded a \$167,500 charge for the remaining contractual lease payments.

In July 2018, the Company entered a separation agreement with a former employee and agreed to pay \$50,000 in exchange for terminating the employment agreement. On September 26, 2018, the Company entered an agreement to sell the Athlete Management business, SuckerPunch, to the former business owners, the agreement had an effective date of July 1, 2018. The parties agreed to terminate / settle the existing employment agreements. One of the former employees was paid severance until August 31, 2018 and issued the remaining 108,289 common shares held in escrow related to the SuckerPunch acquisition. The Company recognized a stock-based compensation charge of \$31,000 related to the issuance of the 108,289 common shares. The other former employee was paid severance through September 15, 2018 and had his warrant to purchase 93,583 common shares repriced from \$3.74 to \$0.3725. The Company recognized a stock-based compensation charge of \$10,000 related to the repricing of the common stock warrant. The Company recognized a \$70,000 loss in relation to the disposal of the SuckerPunch business. In conjunction with the settlement with the former owner of Fight Club OC, Roy Englebrecht, the shares held in escrow were released as part of the separation agreement. The Company recorded stock based compensation expense of \$55,000, the fair value of the shares on the date the agreement was entered. In September 2018, the Company sold the Victory name and related business assets to a vendor in settlement of an outstanding payable balance of \$33,064. In September 2018, the Company sold Fight Time to the former business owner and terminated the existing settlement arrangement resulting in a gain of \$16,667. In October 2018, the Company resolved its outstanding litigation with Mazzeo Song LLP resulting in the Company agreeing to pay \$35,000 in settlement of the outstanding payable balance. The Company realized a \$47,000 gain on the settlement as all invoices had previously been accrued. On November 12, 2018 the Company entered into a separation agreement with the former promoter of Victory and agreed to issue the 121,699 shares held in escrow related to the Victory acquisition. The effective date of the agreement was September 30, 2018 and as a result the Company recognized \$35,000 of stock-based compensation expense.

## 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, and a convertible note financing provided by SCWorx. 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 be able to continue as a going concern so that we can complete the SCWorx acquisition 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 \$30.0 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. We intend to fund the operating deficits through debt and or equity financings until such time as we are able to complete the SCWorx acquisition and generate positive cash flows from operating activities. We cannot assure you we will be able to secure additional debt and or equity financing on commercially reasonable terms or at all or that we will be able to complete the SCWorx acquisition.

As of September 30, 2018, our cash balance was \$4,787 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 third quarter of 2018, our principal uses of cash consisted of 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.

The Company has entered into a number of negotiated settlements with vendors and former employees, which provide for payments upon the closing of the SCWorx Acquisition. The aggregate amount owed under these settlement agreements payable upon closing of the SCWorx transaction is approximately \$418,000, which is a component of the \$425,604 current liabilities - discontinued operations of the condensed consolidated balance sheet.

As disclosed above, in conjunction with the stock offering completed in January 2018, the Company issued warrants with a provision requiring the Company to pay the warrant holder the Black - Scholes value of the warrant upon a fundamental transaction. On August 20, 2018, the Company entered into a stock Exchange Agreement with SCWorx which upon closing will qualify as a fundamental transaction within meaning of the warrant agreement. For illustration purposes only, if the stock price at closing was \$0.67, the Black - Scholes value would approximate \$0.53 per share based upon today's volatility and risk-free interest rate. As of the date hereof, there were 1,141,500 warrants outstanding which are subject to this Black - Scholes payout provision.

|   | 9 Months Ended September 30, |                |
|---|------------------------------|----------------|
|   | 2018                         | 2017           |
| Consolidated Statements of Cash Flows Data: |                              |                |
| Net cash used in operating activities       | \$ (3,188,669)               | \$ (4,580,754) |
| Net cash used in investing activities       | (21,849)                     | (1,008,950)    |
| Net cash provided by financing activities   | 3,172,457                    | 1,525,000      |
| Net decrease in cash                        | \$ (38,061)                  | \$ (4,064,704) |

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. During the second quarter of 2018, the Company ceased the professional MMA operations and terminated all MMA promoters and support staff including ASM. During the third quarter the Company disposed of SuckerPunch and resolved additional employee employment agreements. As of the date of this filing, the Company has two employees focused on the MMA ticketing platform business.

## **Operating Activities**

Cash used in operating activities was \$3.2 million for the nine months ended September 30, 2018, mainly related to the net loss of \$13.7 million, an increase of \$34,000 in accounts receivable, and a decrease in accounts payable of \$239,000, non-cash stock based compensation expense of \$738,000, non-cash amortization of \$41,000 and loss from discontinued operations of \$10.9 million.

Cash used in operating activities was \$4.6 million for the nine months ended September 30, 2017, mainly related to the net loss of \$7.1 million, offset by non-cash amortization of \$57,000, non-cash stock-based compensation of \$409,000 related to various equity awards to employees and non-employees, an increase in accounts payable of \$372,000, and loss from discontinued operations of \$5.2 million.

## **Investing Activities**

Cash used in investing activities was \$22,000 for the nine months ended September 30, 2018, related to the acquisition of capital assets in discontinued operations of \$22,000.

Cash used in investing activities was \$1.0 million for the nine months ended September 30, 2017, due to the acquisitions of the businesses that make up the discontinued operations.

## **Financing Activities**

Cash provided by financing activities was \$3.2 million for the nine months ended September 30, 2018, primarily related to a registered public offering of our securities, which provided \$1.9 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. The Company signed two related party note agreements during the period, each for \$150,000 with two of our Board members. We entered into two additional note agreements, with third parties for \$90,000 and \$200,000. Additionally, the Company sold an aggregate of \$720,000 of convertible notes to SCWorx. These proceeds from these notes were offset by the \$390,000 repayment of notes payable. Additionally, the Company received \$306,000 from the exercise of warrants and stock options.

Cash provided by financing activities was \$1.5 million for the nine months ended September 30, 2017 related to private placements of Common Stock.

## **Off-Balance Sheet Arrangements**

As of September 30, 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 nine months ended September 30, 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**

Refer to *“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 September 30, 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 President/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 September 30, 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 President/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 September 30, 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. The complaint was dismissed in October 2018.

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 of New Jersey; however, a complaint was not served on the defendants and, on February 2, 2018 the claim was dismissed by the District Court.

In June 2018, the landlord of our Cherry Hill, New Jersey office filed suit against the Company for non-payment of rent. Currently the Company is in negotiations to settle the remaining payments due under the lease of \$167,475.

In June 2018, the Company's former President, Robert Haydak, filed suit against the Company. The Company and Mr. Haydak resolved the suit effective July 2018 with the Company agreeing on a cash settlement of \$50,000 and delivery of certain MMA promotion fixed assets and the Company has accrued the settlement as of September 30, 2018.

### **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**

On September 13, 2018, the Company issued 200,000 shares of common stock and warrants to purchase 50,000 shares to a note holder in consideration of his agreement to extend the note until December 31, 2018 and convert all interest related to the Note into shares of company common stock. The warrants have an exercise price of \$.29 per share.

On October 19, 2018, the company issued 794,483 shares of common stock in consideration of (i) a "most favored nation" clause contained in a subscription agreement and (ii) the termination of said agreement.

The Company believes that the foregoing transactions were exempt from the registration requirements under the Securities Act of 1933, as amended ("the Act"), based on the following facts: there was no general solicitation, there was a limited number of purchasers, each of whom the Registrant believes was an "accredited investor" (within the meaning of Regulation D under the Securities Act of 1933, as amended) and was sophisticated about business and financial matters, and all shares issued were subject to restriction on transfer, so as to take reasonable steps to assure that the purchaser was not an underwriter within the meaning of Section 2(11) under the Act.

### **Item 5. Other Information**

Also, as previously reported, on August 30, 2018, the Company requested a hearing to appeal the Nasdaq's delisting determination. On October 25, 2018, as part of the appeal process, the Company presented to the Nasdaq the Company's plan for meeting the Nasdaq's original listing qualifications, in connection with the closing of the business combination of SCWorx. In order for the Company's common stock to qualify for listing on the Nasdaq Stock Market following completion of the acquisition, the Company will be required to meet the Nasdaq's listing standards for original listing (including among others its minimum bid price of \$4 per share and minimum \$5 million of

stockholders' equity).

On November 9, 2018, The Nasdaq Stock Market LLC ("Nasdaq") notified the Company that the Nasdaq Hearings Panel (the "Panel") granted the Company's request for continued listing on The Nasdaq Capital Market, subject to the Company's satisfaction of certain conditions, including interim funding milestones.

In accordance with the Nasdaq's decision, subject to compliance with the interim funding milestones, which the Company has not met, the Company has until February 25, 2019 to complete its acquisition of SCWorx and demonstrate that the combined company satisfies the requirements for initial listing on The Nasdaq Capital Market.

Under the Panel's decision, the Company was to have completed the interim funding milestone by November 15, 2018. Although the Company has made substantial progress towards meeting such milestone, the Company has not yet completed the required funding. Accordingly, the Company has requested that the Panel (i) reduce the amount of the required funding milestone and (ii) extend the time for completion of funding to November 30, 2018.

There is no assurance that the Nasdaq will agree to these Company requests. The Company believes that even at the reduced funding level, the combined company will still exceed the applicable Nasdaq stockholder equity requirement. If the Nasdaq does not agree to the Company's requests, the Company will be delisted from the Nasdaq.

Even if the Panel grants the Company's requests, there is no assurance that the Company will be able to satisfy the Panel's revised conditions. If the Company is unable to fully comply with the terms of the Panel's decision, including any revisions thereto, the company's common stock could be delisted from The Nasdaq Capital Market which would have a material adverse effect on the company's business and on the trading of its common stock. In addition, if the Company's common stock is delisted from the Nasdaq Stock Market, there would be a failure of a closing condition to the SCWorx business combination, which, if not waived by SCWorx, would result in the termination of such transaction, which would have a material adverse effect on the Company.

**Item 6. Exhibits.**

| <b>Exhibit<br/>No.</b> | <b>Description</b>  |
|------------------------|---|
| <u>10.1*</u>           | <u>Burt Watson Separation Agreement</u>   |
| <u>10.2*</u>           | <u>Red Diamond Termination Agreement</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>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> |
| 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: November 16, 2018

By: /s/ John Price

Name: John Price

Title: Chief Financial Officer

(Principal Executive Officer)

(Principal Financial Officer)

(Principal Accounting Officer)

**SEPARATION AND SETTLEMENT AGREEMENT**

This Separation and Settlement Agreement (the "Agreement") is made and entered into as of this July 1, 2018 by and between ALLIANCE MMA, INC. ("Alliance MMA"), and Wilbur ("Burt") Watson ("Watson").

**RECITALS**

WHEREAS, other than what is specifically excluded herein, the parties have agreed to terminate the employment with Alliance MMA without admission of liability, pursuant to the terms of this Agreement and the General Release to be signed by Watson in addition to this Agreement and attached hereto as "Exhibit A."

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein and in the General Release, given for valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

- 1. Separation.** Alliance MMA and Watson mutually agree to separate Watson from employment with Alliance MMA. Effective July 1, 2018, Watson shall be relieved of all duties and responsibilities associated with his employment with Alliance MMA ("Separation Date").
- 2. Severance and Settlement Payment.** In consideration for entering this Agreement, for release set forth herein and in the General Release and termination of the employment agreement, Watson shall receive as "Severance Pay" the following:
  - (a) Alliance MMA shall pay Watson a lump sum payment of \$50,000 due with the closing of a corporate transaction, currently anticipated to be November 2018. Watson understands that Alliance MMA shall not be withholding any lawful deductions regarding this payment and Watson agrees to pay any and all taxes applicable. Moreover, Watson agrees to indemnify Alliance MMA for any loss or obligation caused by failure of Watson to satisfy any tax obligation(s). Watson further understands that Alliance MMA shall issue an IRS Form 1099 for the payment specified in this paragraph.

3. **Additional Consideration.** As additional consideration for entering this Agreement, and for the release set forth herein and in the General Release, Alliance MMA agrees the MMA Promotion Agreement with Hard Rock Casino is solely owned by Watson and AMMA retains no rights to the agreement.

**4. Release.**

(a) As consideration for the Severance Pay and the promises set forth in Paragraph 3, Watson agrees for himself, his assignees, his estate, administrators, executors and heirs, and for any and all persons or entities claiming by or through his or such persons or entities, to release and forever discharge each of the Alliance MMA Releasees (as defined below) from, and to waive any and all rights with respect to all manner of claims, Complaints, causes of Complaint, suits, judgments, rights, demands, debts, damages, or accountings of whatever nature, legal, equitable or administrative, whether the same are now known or unknown, which Watson ever had, now has or may claim to have, upon or by reason of the occurrence of any matter, cause or thing whatsoever (whether under federal or state statutory or common law) arising from or relating in any way to his employment with Alliance MMA and/or any claim set forth in the Charge other than what has been specifically excluded herein. This release specifically includes, but is not limited to, a release of any and all claims pursuant to federal and state wage payment laws (including the Fair Labor Standards Act), the Older Worker Benefit Protection Act, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, Executive Order 11246, the Rehabilitation Act of 1973, 42 U.S.C. §1981-1988, the Civil Rights Act of 1991, civil rights acts of any state, state and federal family and/or medical leave acts, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Employee Retirement Income Security Act of 1974, and any other federal, state or local laws or regulations of any kind, whether statutory or decisional. This release also includes, but is not limited to, a release of any claims for wrongful termination, breach of contract, or any tort, including fraud or fraud in the inducement, defamation, retaliation, misrepresentation, violation of public policy or invasion of privacy, intentional infliction of emotional distress, negligent infliction of emotional distress, negligent hiring, negligent retention, negligent supervision and all other claims that were raised or could have been raised to date.

As used in this Section, "Alliance MMA Releasees" shall mean: (A) Alliance MMA; (B) all current or former employees, directors, officers, trustees, managers, agents or attorneys of Alliance

MMA, and any and all predecessors, parent and subsidiary corporations and affiliates; (C) the insurers and benefit plans of Alliance MMA; (D) successors of Alliance MMA or its affiliates; and (E) the estates, administrators, executors and heirs of any such persons. The release set forth in this Paragraph shall not be construed to release the rights of any party arising under this Agreement.

(b) Watson agrees that he will not institute any claim for damages by charge or otherwise, nor will he authorize any other party to institute any claim for damages, via administrative or legal proceedings, against the Alliance MMA Releasees.

5. **OWBPA.** The release in Paragraph 4 of this Agreement includes a waiver of all Claims against the Alliance MMA Releasees under the Age Discrimination in Employment Act (“ADEA”) and the Older Workers Benefit Protection Act (“OWBPA”). Therefore, pursuant to the requirements of the ADEA and OWBPA, Watson specifically acknowledges the following:

- (a) that he has been advised to consult with an attorney of her choosing concerning the legal significance of this Agreement;
- (b) that he has read and understands this Agreement in its entirety;
- (c) that the consideration set forth in Paragraphs 2 and 3 of this Agreement is adequate and sufficient for his entering into this Agreement and consists of benefits to which he is not otherwise entitled;
- (d) that he has been offered twenty-one (21) days to consider this Agreement before executing it and that any changes to this Agreement subsequently agreed upon by the parties, whether material or immaterial, do not restart this period for consideration;
- (e) that he has been advised that during the seven (7) day period following his execution of this Agreement, he may revoke his acceptance of this Agreement by delivering written notice to counsel for Alliance MMA, Kelly DeGance, Esquire, Alexander DeGance Barnett, P.A., 1500 Riverside Avenue, Jacksonville FL 32204 and that this Agreement shall not become effective or enforceable until after the revocation period has expired; and
- (f) that Watson has executed this Agreement knowingly and voluntarily, without duress or reservation of any kind, and after having given the matter full and careful consideration.

**6. Restrictive Covenants.** All obligations set forth in the Non-Competition and Non-Solicitation Agreement executed on January 18, 2016 remain in full force an effect, except as set forth below. A copy of the Non-Competition and Non-Solicitation Agreement signed by Watson is attached hereto as “Exhibit B.”

(a) The final sentence of Paragraph 2, Non-Competition and Non-Solicitation, shall be modified to state as follows: “Accordingly, at all times during the Selling Member’s employment with the Company and until February 1, 2019 the Selling Member will not, directly or indirectly: ”

(b) Paragraph 2(a), Non-Competition and Non-Solicitation, shall be modified to state as follows: “Engage in any business or enterprise (whether as owner, partner, officer, director, employee, consultant, investor, lender or otherwise, except as the holder of not more than one percent (1%) of the outstanding capital stock of a company) that directly or indirectly competes with the Company’s business in the Mixed Martial Arts (“MMA”) industry or the business of any of its subsidiaries in the MMA industry anywhere in the United States, including but not limited to any business or enterprise that develops, manufactures, markets, or sells any product or service that competes with any product or service developed, manufactured, marketed or sold, or planned to be developed, manufactured, marketed or sold, by the Company or any of its subsidiaries in the MMA industry while the Selling Member was employed by the Seller or the Company; or ”

(c) Nothing in this Agreement or the Non-Competition and Non-Solicitation Agreement is intended to preclude Watson from working in the boxing industry.

All obligations set forth in the Non-Competition and Non-Solicitation Agreement executed on January 18, 2016 that are not modified as set forth above in paragraphs 7(a-c) remain in full force an effect.

**7. Confidentiality.** Watson shall keep the terms of this Agreement and the General Release confidential and shall refrain from revealing the amount of the Severance Pay to anyone other than her immediate family, legal counsel, accountants, tax advisors, taxing authorities, the Social Security Administration, or as may be required by law, pursuant to court or administrative directives or subpoena, or as the parties may agree in writing. In the event of a breach of this Section, the non-breaching party may pursue any one or all of the following remedies: i) termination of this Agreement, ii) rescission of this Agreement, iii) injunctive relief to prevent further breach, iv) monetary damages, or v) any other remedy a court of competent jurisdiction determines appropriate. The remedies are cumulative to all other remedies at law or equity. In any action brought for breach of this Section, the prevailing party shall be entitled to recover reasonable attorney’s fees and costs.

**9. Non-Disparagement.** Alliance MMA agrees to instruct its managers and directors not to make any statements, written or oral, which denigrate, disparage, or defame the goodwill or reputation of Watson. Watson agrees to refrain from taking actions or making statements, written or oral, which denigrate, disparage, or defame the goodwill or reputation of Alliance MMA its

affiliates, divisions, branches, predecessors, successors, assigns, trustees, officers, directors, administrators, partners, agents, and former and current employees and directors. In the event of a breach of this Section, the non-breaching party may pursue any one or all of the following remedies: i) termination of this Agreement, ii) rescission of this Agreement, iii) injunctive relief to prevent further breach, iv) monetary damages, or v) any other remedy a court of competent jurisdiction determines appropriate. The remedies are cumulative to all other remedies at law or equity. In any action brought for breach of this Section, the prevailing party shall be entitled to recover reasonable attorney's fees and costs.

**10. General Release.** As consideration for the Severance Pay and the promises set forth in Paragraphs 2 and 3 Watson agrees to sign the General Release, which is attached hereto as "Exhibit A," within ten (10) days of the Termination Date.

**11. Governing Law and Venue.** This Settlement Agreement shall be governed, interpreted and construed in accordance with the substantive laws of the State of Florida applicable to contracts made and to be performed in that state without regard to any forum's choice of law rules or principles, place of execution or place of performance. Venue for any disputes arising under this Agreement shall lie solely in Duval County, Florida or the Middle District of Florida.

**12. Counterparts.** This Agreement may be executed in counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

**13. Miscellaneous.**

(a) This Agreement, the General Release, and the Non-Competition and Non-Solicitation Agreement represent the entire agreement of the parties with respect to the settlement described herein. There are no oral promises, representations or agreements with respect to such settlement outside the express agreements set forth in writing in this Agreement, the General Release attached hereto as "Exhibit A," and the Non-Competition and Non-Solicitation Agreement attached hereto as "Exhibit B." However, the Asset Purchase Agreement and other related documents previously executed by Watson remain in full force and effect.

(b) This Agreement may not be amended, modified or changed in any way except by written document executed by each of the parties to this Agreement.

(c) The parties to this Agreement intend that this Agreement and the General Release are an accord and satisfaction of all pending disputes between them including all claims and disputes alleged or which could have been alleged in the Charge.

(d) The parties hereto agree that this Agreement shall not be construed for or against any party hereto because that party drafted all or part of this Agreement.

(e) Watson has been advised by this, in writing, to consult with an attorney concerning this Agreement before signing it.

**14. Severability.** In the event a court of competent jurisdiction determines that any part or provision of this Agreement is unenforceable, all remaining provisions and parts of this Agreement shall remain in full force and effect, and shall be fully enforceable.

This Separation and Settlement Agreement is made and entered into as of the date first above written.

ALLIANCE MMA, INC.

Wilbur "Burt" Watson

By: /s/ John Price

/s/ Burt Watson

Name: John Price  
Title: Chief Financial Officer

**TERMINATION AGREEMENT  
(Subscription Agreement dated 10/26/17)**

THIS AGREEMENT is made effective as of October 19, 2018, by and between, RedDiamond Partners, LLC ( "RedDiamond") and Alliance MMA, Inc. ( the "Company").

**RECITALS**

WHEREAS, Reference is made to that certain subscription agreement, dated October 26, 2017, between RedDiamond and the Company (the "Subscription Agreement"), under which RedDiamond purchased shares of common stock and a warrant to purchase common stock;

WHEREAS, A dispute has arisen between RedDiamond and the Company with respect to the operation of the most favored nation clause contained in the Subscription Agreement;

WHEREAS, RedDiamond and the Company desire to settle their dispute upon the terms and conditions set forth in this Agreement.

**AGREEMENT**

**Now, therefore**, the parties hereto, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

1. **Issuance of Additional Shares.** The Company shall issue RedDiamond within two business day of the date hereof, an additional 794,483 shares of company common stock in full and complete satisfaction of all shares owing under Section 13 (most favored nation clause) of the Subscription Agreement.
2. **Termination of Subscription Agreement.** The Subscription Agreement is hereby terminated and neither party shall have any further rights or obligations thereunder.
3. **Mutual Release.** Each of the parties hereto hereby releases the other party (and its officers, directors, shareholders and members) from any claims, liabilities or damages arising under or in any way related to the Subscription Agreement.

The Parties hereto have executed this Agreement as an instrument under seal as of the date written above.

**RedDiamond Partners, LLC**

/s/ John DeNobile

\_\_\_\_\_  
John DeNobile, Managing Member

**Alliance MMA, Inc.**

/s/ John Price

\_\_\_\_\_  
By: John Price, President

---

**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: November 16, 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 September 30, 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: November 16, 2018

By: /s/ John Price

John Price  
Principal Financial Officer  
(Principal Accounting Officer)

---