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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2018

Commission File Number 001-33720

Remark Holdings

Remark Holdings, Inc.

Delaware	33-1135689
State of Incorporation	IRS Employer Identification Number
3960 Howard Hughes Parkway, Suite 900 Las Vegas, NV 89169	702-701-9514
Address, including zip code, of principal executive offices	Registrant's telephone number, including area code

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value per share	The NASDAQ Stock Market LLC
Rights to Purchase Series A Junior Participating Preferred Stock	The NASDAQ Stock Market LLC

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

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

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

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

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

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

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

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

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

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

As of June 30, 2018, the aggregate market value of our voting and non-voting common equity held by non-affiliates was $106.8 million.

As of March 28, 2019, a total of 40,722,229 shares of our common stock were outstanding.

Documents Incorporated By Reference

Information required by Part III of this Annual Report on Form 10-K is incorporated by reference to portions of our definitive proxy statement for our 2019 annual meeting of stockholders which we will file with the Securities and Exchange Commission.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The matters discussed in this Annual Report on Form 10-K (this "2018 Form 10-K") include "forward-looking statements" about the plans, strategies, objectives, goals or expectations of Remark Holdings, Inc. and subsidiaries ("Remark", "we", "us", "our"). You will find forward-looking statements principally in the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations. These forward-looking statements are identifiable by words or phrases indicating that Remark or management "expects," "anticipates," "plans," "believes," or "estimates," or that a particular occurrence or event "will," "may," "could," "should," or "will likely" result, occur or be pursued or "continue" in the future, that the "outlook" or "trend" is toward a particular result or occurrence, that a development is an "opportunity," "priority," "strategy," "focus," that we are "positioned" for a particular result, or similarly stated expectations. Undue reliance should not be placed on these forward-looking statements, which speak only as of the date of this 2018 Form 10-K, other report, release, presentation, or statement.

In addition to other risks and uncertainties described in connection with the forward-looking statements contained in this 2018 Form 10-K and other periodic reports filed with the Securities and Exchange Commission ("SEC"), there are many important factors that could cause actual results to differ materially. Such risks and uncertainties include general business conditions, changes in overall economic conditions, our ability to integrate acquired assets, the impact of competition and other factors which are often beyond our control.

This should not be construed as a complete list of all of the economic, competitive, governmental, technological and other factors that could adversely affect our expected consolidated financial position, results of operations or liquidity. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, operations, liquidity, financial condition and prospects. We undertake no obligation to update or revise our forward-looking statements to reflect developments that occur or information that we obtain after the date of this 2018 Form 10-K.

PART I

ITEM 1. BUSINESS.

OVERVIEW

Remark Holdings, Inc. and subsidiaries ("Remark", "we", "us", or "our"), which include its consolidated variable-interest entities ("VIEs"), are primarily technology-focused. Our KanKan data intelligence platform serves as the basis for our development and deployment of artificial-intelligence-based solutions for businesses in many industries and geographies. We also own and operate digital media properties across multiple verticals, such as travel and entertainment and young adult lifestyle, that deliver relevant, dynamic content and e-commerce solutions. Our U.S. operations are headquartered in Las Vegas, Nevada, and our China operations are headquartered in Chengdu, China with additional operations in Beijing, Shanghai, and Hangzhou. Our common stock, par value $0.001 per share, is listed on the NASDAQ Capital Market under the ticker symbol MARK.

OUR BUSINESS

Development

In 2009, we co-founded a U.S.-based venture, Sharecare, to build a web-based platform that simplifies the search for health and wellness information. The other co-founders of Sharecare were Dr. Mehmet Oz, HARPO Productions, Discovery Communications, Jeff Arnold and Sony Pictures Television. As a part of the transactions, we received an equity stake in Sharecare, which constitutes approximately five percent of Sharecare's issued capital stock at December 31, 2018. We also maintain representation on Sharecare's Board of Directors.

In March 2013, we entered the young adult lifestyle vertical with the acquisition of Pop Factory, LLC, a beach lifestyle digital media brand providing website and mobile content. Later the same year, we introduced a refreshed brand and a new, mobile-optimized website at www.bikini.com, which includes e-commerce.

We transitioned in 2015 from being a strictly content-based company to a technology company. We leverage KanKan, our data intelligence platform, to deliver an integrated suite of AI solutions that enable businesses and organization to solve problems, reduce risk and deliver positive outcomes. The easy-to-install AI products are being rolled out in a wide range of applications within the retail, financial, public safety and workplace arenas.

In September 2015, we acquired (the "VDC Acquisition") Vegas.com LLC ("Vegas.com" or "VDC") to give us a deeper reach into the travel and entertainment market in Las Vegas and the surrounding area. Vegas.com is a well-established brand and, through websites and mobile applications that it controls, it allows users to book travel to, and lodging and entertainment in, the Las-Vegas-area market. In March 2019, we entered into an agreement to sell Vegas.com to an affiliate of our lenders (the "VDC Transaction"; see Note 17 in the Notes to Consolidated Financial Statements for more information), which transaction is expected to close during the second quarter of 2019.

In September 2016, we completed the acquisition (the "CBG Acquisition") of assets of China Branding Group Limited ("CBG"), pursuant to the terms of the Second Amended and Restated Asset and Securities Purchase Agreement, dated as of the same date (the "CBG Purchase Agreement"), with CBG and the other parties specified therein. During 2018, we re-branded the assets that are now referred to as Remark Entertainment (formerly referred to as our Fanstang business).

In the foreseeable future, we will continue to focus primarily on developing and monetizing new AI-based products and services using our KanKan data intelligence platform and deploying such products and services in the vast Asia market across multiple industries. Additionally, we have begun marketing activities in Europe and the US and we will continue such activities.

Business Model

We currently earn a majority of our revenue from sales of various travel and entertainment products (including lodging, air travel, show tickets and tours) booked through our travel and entertainment segment, consisting of Vegas.com and its related websites (including LasVegas.com), mobile applications and retail locations.

We also recognize revenue from the following sources:

- sales of AI-based products and services from our KanKan business
- sales of financial-technology (“FinTech”) products and services from our KanKan business
- various advertising mechanisms associated with our websites

Excluding general and administrative expense, the primary costs we incur to earn the revenue described above include:

- credit card fees
- costs related to providing tours, such as permits, fees, fuel, vehicle leases and vehicle repair
- software and website development costs, including licensing costs for third-party software
- data acquisition and customer acquisition costs
- cost of equipment related to customized AI products
- costs associated with marketing our brands

Travel and Entertainment

Vegas.com comprises our travel and entertainment business. We believe that Vegas.com is the premiere online booking service for all of the exciting travel and entertainment opportunities related to Las Vegas and the immediately-surrounding areas. Vegas.com offers users the ability to book lodging, air travel, show tickets and tours, and its customer service team is staffed by Las Vegas locals who are intimately familiar with Las Vegas and the various products and services offered through the website. As previously noted, in March 2019, we entered into an agreement to sell Vegas.com to an affiliate of our lenders, which transaction is expected to close during the second quarter of 2019.

Technology and Data Intelligence

Our KanKan business comprises our Technology & Data Intelligence business. KanKan generates our data platform services revenue by developing and deploying artificial intelligence (“AI”) products and AI-based solutions for businesses in many industries and geographies, as well as by providing financial technology (“FinTech”) products and services. Though we currently focus our KanKan business on the Asia-Pacific region, we have initiated marketing activities in Europe and the United States and are launching several proof-of-concept projects.

We have been developing AI-based vision products, computing devices and software-as-a-service products that we are launching across a wide range of applications within the financial, retail, entertainment, education, and workplace and public safety industries. We constantly improve our KanKan data and AI platform with advanced data, algorithms and training; our facial-recognition algorithms recently received top rankings in Labeled Faces in the Wild (hosted by the University of Massachusetts) and MegaFace (hosted by the University of Washington), two widely-recognized global facial-recognition testing platforms. Among the other work that we have ramped up during 2018, we continue partnering with top universities on research projects targeting algorithm, artificial neural network and computing architectures, which we believe keeps us among the leaders in technology development.

Other Digital Media Assets

Young Adult Lifestyle

Bikini.com is our e-commerce website selling swimwear and accessories in the latest styles, which we currently intend to promote primarily on a subscription basis in the future.

Competition

We compete for business primarily in the online travel and entertainment booking marketplace and in the FinTech and AI marketplaces, each of which are intensely competitive and, with regard to the FinTech and AI marketplaces, rapidly evolving.

Travel and Entertainment

The primary factors upon which we compete are price and promotions, knowledge of the Las Vegas area, customer service and the quality and features of our sales channels. We believe the following are our primary competitors:

- online travel reservation services such as The Priceline Group (priceline.com, booking.com), Expedia (expedia.com, hotels.com, hotwire.com, travelocity.com, orbitz.com), as well as websites of hotels and casinos

- online travel search services and price comparison services such as TripAdvisor, Trivago (majority-owned by Expedia), and HotelsCombined

- websites, such as Todtix.com, Bestofvegas.com and Showtickets.com, that sell tickets to Las Vegas-area events

- traditional “brick-and-mortar” retailers, such as casino box offices and Tix4tonight, that sell tickets to Las Vegas-area events

We also face competition for customer traffic on Internet search engines and metasearch websites, which impacts our sales and marketing costs.

Technology and Data Intelligence

With our KanKan business, we primarily compete on the basis of the quality and reliability of our products and services.

FinTech. The credit infrastructure in China is not yet as well developed as the credit infrastructure in the United States. We believe the traditional system underserves a large number of persons who are financially active but who do not yet have lengthy credit histories. In the FinTech market space (financial institutions and peer-to-peer lenders), we are, in essence, competing against our potential customers’ traditional systems of screening their own loan candidates.

AI-based products and services. Our AI-based products and services represent a significant opportunity for us in the future. We offer facial recognition products and we also build and deploy custom AI solutions. Our facial recognition products compete with companies such as SenseTime, Face++, Google, GoGoVan, WeLab and others, while we compete with companies such as PriceWaterhouseCoopers, Hewlett Packard, Baidu and others for business in the AI solutions market space.

Some of the companies we compete against, or may compete against in the future, may have greater brand recognition and may have significantly greater financial, marketing and other resources than we have. As a result of the potentially greater brand recognition and resources, some of our competitors may bring new products and services to market more quickly, and they may be able to adopt more aggressive pricing policies than we could adopt.

Intellectual Property

We rely upon trademark, copyright and trade secret laws in various jurisdictions, as well as confidentiality procedures and contractual provisions to protect our proprietary assets and brands. We own two U.S. patents and one patent in each of Canada and Hong Kong, as well as several copyright registrations related to Vegas.com. Regarding our Technology and Data Intelligence segment, we own 12 copyright registrations, we have 62 patents pending in China and we have several additional patent applications we are preparing to file in China. We also hold various trademarks for our brands, and we have additional applications pending.

Technology

Our technologies include software applications built to run on third-party cloud hosting providers including Amazon Web Services and Alibaba located in North America and Asia. We make substantial use of off-the-shelf available open-source technologies such as Linux, PHP, MySQL, Drupal, mongoDB, Memcache, Apache, Nginx, CouchBase, Hadoop, HBase, ElasticSearch, Lua, Java, Redis, Akka and Wordpress, in addition to commercial platforms such as Microsoft, including Windows Operating Systems, SQL Server, and .NET. Such systems are connected to the Internet via load balancers, firewalls, and routers installed in multiple redundant pairs. We also utilize third-party services to geographically deliver data using major content distribution network providers. We rely heavily on virtualization throughout our technology architecture, which enables the scaling of dozens of digital media properties in an efficient and cost effective manner.

We use third-party cloud hosting providers to host most of our public-facing websites and applications, as well as many of our back-end business intelligence and financial systems. Each of our significant websites is designed to be fault-tolerant, with collections of application servers, typically configured in a load-balanced state, to provide additional resiliency. The infrastructure is equipped with enterprise-class security solutions to combat events such as large scale distributed denial of service attacks. Our environment is staffed and equipped with a full-scale monitoring solution.

Governmental Regulation

The services we provide are subject to various laws and regulations. We must comply with laws and regulations relating to the travel industry and the provision of travel services, including laws requiring us to register as “sellers of travel” and compliance with certain disclosure requirements. In addition, our travel business is subject to regulation by the U.S. Department of Transportation and must comply with various rules and regulations governing the provision of air transportation, including those relating to advertising and accessibility.

We are subject to a number of U.S. federal and state and foreign laws and regulations that affect companies conducting business on the Internet. These laws and regulations may involve privacy, rights of publicity, data protection, content regulation, intellectual property, competition, protection of minors, consumer protection, taxation or other subjects. Many of these laws and regulations are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In addition, the application and interpretation of these laws and regulations often are uncertain, particularly in the new and rapidly evolving industry in which we operate. There are a number of legislative proposals pending before federal, state, and foreign legislative and regulatory bodies concerning data protection that may affect us.

We post our privacy policy and practices concerning the use and disclosure of any user data on our web properties and our distribution applications. Any failure by us to comply with posted privacy policies, federal and state regulatory requirements or foreign privacy-related laws and regulations could result in proceedings by governmental or regulatory bodies that could potentially harm our businesses, results of operations and financial condition.

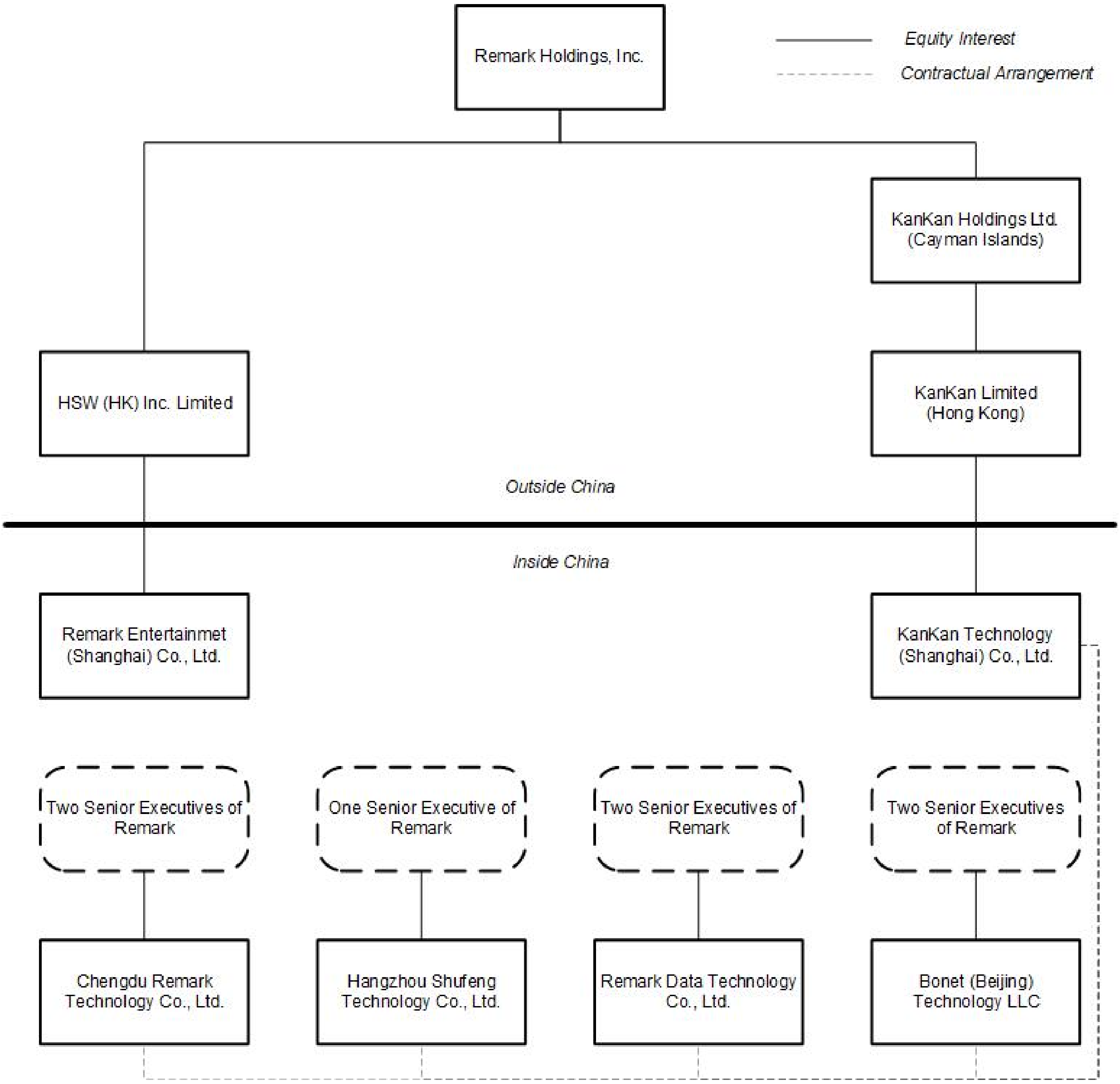
Foreign data protection, privacy, and other laws and regulations can be more restrictive than those in the United States. The Chinese government has at times taken measures to restrict digital platforms, publishers or specific content themes from consumption by its citizens. We invest significant efforts into ensuring that our published content in China is consistent with our most current understanding of prevailing Chinese laws, regulations, and policies; and to date our published content in China has been met with successful distribution and no action or inquiry from the Chinese government. However, unforeseen regulatory restrictions or policy changes in China regarding digital content could have a material adverse effect on our business.

The Chinese government has not yet adopted a clear regulatory framework governing the new and rapidly-evolving artificial intelligence industry in which we operate. The Chinese government's adoption of more stringent laws or enforcement protocols affecting participants in such industries (including, without limitation, restrictions on foreign investment, capital requirements and licensing requirements) could have a material adverse effect on our business.

Corporate Structure

To comply with China's laws which restrict foreign ownership of entities that operate within industries deemed sensitive by the Chinese government, we employ what we believe is a commonly-used organizational structure consisting of a wholly-foreign owned enterprise ("WFOE") and VIEs to operate our KanKan business. We own 100% of the equity of the WFOE, while the VIEs are companies formed in China under local laws which are owned by members of our management team. We funded the registered capital and operating expenses of the VIEs by extending loans to the VIEs' owners. We believe that we are the primary beneficiary of the VIEs because the equity holders of such entities do not have significant equity at risk and because we have been able to direct the operations of the VIEs.

The following diagram illustrates our China holding structure as of the date of this 2018 Form 10-K. The diagram omits certain entities which are immaterial to our results of operations and financial condition. Equity interests depicted in this diagram are 100% owned. The relationships between each of Chengdu Remark Technology Co., Ltd.; Hangzhou Shufeng Technology Co., Ltd.; Remark Data Technology Co., Ltd. and BoNet (Beijing) Technology LLC, on the one hand, and KanKan Technology (Shanghai) Co., Ltd., on the other hand, as illustrated in the following diagram are governed by contractual arrangements, including in each case an Exclusive Call Option Agreement, an Exclusive Business Cooperation Agreement, a Proxy Agreement and an Equity Pledge Agreement, and do not constitute equity ownership.



Employees

We employed approximately 290 people as of March 28, 2019, substantially all of which are full-time employees.

ADDITIONAL INFORMATION

We were originally incorporated in Delaware in March 2006 as HSW International, Inc., we changed our name to Remark Media, Inc. in December 2011, and as our business continued to evolve, we changed our name to Remark Holdings, Inc. in April 2017.

As soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC, we provide free access through our website (www.remarkholdings.com) to our Annual Reports on Form 10-K, Quarterly Reports on Form

10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We do not incorporate any information found on our website into the materials we file with, or furnish to, the SEC; therefore, you should not consider any such information a part of any filing we make with the SEC.

You may also obtain the reports noted above at the SEC's Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room is available by calling the SEC at 1-800-SEC-0330. You may also access this information at the SEC's website (www.sec.gov), which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information contained in this 2018 Form 10-K, including our consolidated financial statements and notes thereto, before deciding whether to invest in our common stock. Additional risks and uncertainties that we are unaware of may become important factors that affect us. If any of these risks actually occur, our business, financial condition or operating results may suffer, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and Industry

If we are unable to maintain or increase the number of visitors interacting with, and making purchases on, our owned-and-operated websites and mobile applications in a cost-effective manner, our business, financial condition and results of operations may be adversely affected.

We earn a substantial amount of our revenue from transactions occurring on our websites and Internet-based mobile applications. Providing a high-quality, highly-efficient and user-friendly online experience, in a cost-effective manner, is vital to our operations. Failure to do so could adversely affect user experiences and reduce traffic to our owned-and-operated websites and mobile applications, which would adversely affect our business, financial condition, results of operations and cash flows. To attract traffic, we utilize search engine optimization related to our websites and the content published on them, a strategy that involves building websites with the objective of having them rank well in unpaid search engine results. Our ability to successfully manage search engine optimization efforts across our owned-and-operated websites is dependent on our timely and effective modification of search engine optimization practices implemented in response to periodic changes in search engine algorithms and methodologies and changes in search query trends and our ability to offer websites and content responsive to ever-changing consumer interests and trends. Our failure to successfully manage our search engine optimization strategy could result in a substantial decrease in traffic to our owned-and-operated websites, or an inability to attract traffic to new websites that we launch which could adversely affect our business, financial condition, results of operations and cash flows.

Even if we succeed in attracting traffic to our owned-and-operated websites, we may not be successful in monetizing the traffic. Additionally, the costs of attracting and retaining users to our websites may exceed our ability to generate revenues from such activities, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

Our travel and entertainment business is dependent on providers of travel and entertainment products.

Our travel and entertainment business relies on providers of travel and entertainment products (including lodging, air travel, show tickets and tours) to make their products available to consumers through us. Our arrangements with such providers generally do not require them to make available any specific quantity of such products, or to make such products available at any particular price. A significant reduction on the part of any of our major providers, or providers that are particularly popular with consumers, in their participation in our services for a sustained period of time or their complete withdrawal could have a material adverse effect on our business and results of operations.

Our travel business derives a significant portion of its revenues from the Las Vegas market and is especially subject to certain risks, including economic and competitive risks, associated with conditions in the Las Vegas area.

Because our Vegas.com subsidiary provides travel and entertainment booking services in the Las Vegas market exclusively, we are subject to greater risks from conditions in the Las Vegas area than travel booking companies that are more geographically diversified. Risks from conditions in the Las Vegas area include the following:

- local economic and competitive conditions;
- reduced land and air travel due to increasing fuel costs or transportation disruptions;
- inaccessibility of the area due to inclement weather, natural disasters, road construction or closure of primary access routes;
- the outbreak of public health threats in the area or the perception that such threats exist; and
- a decline in the number of visitors.

Our travel business is particularly sensitive to reductions in discretionary consumer and corporate spending.

Expenditures on travel and entertainment and leisure activities are sensitive to personal and business-related discretionary spending levels and tend to decline or grow more slowly during economic downturns. Changes in discretionary spending or consumer preferences brought about by factors such as perceived or actual unfavorable changes in general economic conditions, high unemployment, perceived or actual changes in disposable consumer income and wealth, higher fuel or other transportation costs, or changes in consumer confidence could reduce demand for our services, which could adversely affect our travel business and our overall business, financial condition, results of operations and cash flows.

Declines or disruptions in the travel industry could adversely affect our travel business.

The success and financial performance of our travel business are affected by the health of the worldwide travel industry. Our business is sensitive to fluctuations in hotel supply, occupancy and average daily rates, decreases in airline capacity, periodically rising airline ticket prices, or the imposition of taxes or surcharges by regulatory authorities, all of which we have experienced historically.

Other factors that could negatively affect our business include:

- air fare increases;
- continued consolidation of air carriers and hotel providers;
- travel-related strikes or labor unrest, bankruptcies or liquidations;
- incidents of actual or threatened terrorism;
- periods of political instability or geopolitical conflict in which travelers become concerned about safety issues;
- natural disasters or events such as severe weather conditions, volcanic eruptions, hurricanes or earthquakes; and
- health-related risks, such as the Ebola, H1N1, SARs and avian flu outbreaks.

Such concerns could result in a protracted decrease in demand for our travel services which, depending on its scope and duration and together with any future issues affecting travel safety, could adversely affect our business over the short and long-term. In addition, the disruption of the existing travel plans of a significant number of travelers upon the occurrence of certain events, such as severe weather conditions, actual or threatened terrorist activity or war, could result in the incurrence of significant additional costs and decrease our revenues leading to constrained liquidity if we provide relief to affected travelers by refunding the price or fees associated with hotel reservations and other travel products and services.

As a creator and a distributor of digital content, we face potential liability for legal claims based on the nature and content of the materials that we create or distribute, or that are accessible via our owned-and-operated websites.

As a creator and distributor of original content and content provided by third parties, we face potential liability for legal claims, including defamation, negligence, unlawful practice of a licensed profession, copyright or trademark infringement or other legal theories relating to the information we publish on our websites, and under various laws, including the Lanham Act, the Digital Millennium Copyright Act and the Copyright Act. We may also be exposed to similar liability in connection with content that is posted to our owned-and-operated websites by users and other third parties through comments, profile pages, discussion forums and other social media features. In addition, it is also possible that visitors to our owned-and-operated websites could make claims against us for losses incurred in reliance upon information provided on our owned-and-operated websites. Any of these claims could result in significant costs to investigate and defend, regardless of the merit of the claims. If we are not successful in our defense, we may be forced to pay substantial damages. While we run our content through a rigorous quality control process, there is no guarantee that we will avoid future liability and potential expenses for legal claims, which could affect our business, financial condition, results of operations and cash flows.

Laws relating to the liability of providers of online services for activities of their advertisers and for the content of their advertisers' listings are currently unsettled. Such claims have been brought, sometimes successfully, against online services as well as other print publications in the past. We may not successfully avoid liability for unlawful activities carried out by advertisers displayed on our websites. If we are subjected to such lawsuits, it may adversely affect our business.

The failures of third-party network and technology providers to provide adequate services in the future could cause technical problems with or failure of our websites or traffic, which could inhibit our revenues or damage our reputation and relationships with users, advertisers, and content providers.

We rely on many third-party businesses for technological, network, and expert services. Our ability to operate successfully depends on the successful operation of these third-party businesses, which carry their own risks. If one of our third-party vendors fails to deliver expected services, our websites and, therefore, our business could suffer operating problems or temporary failures. If there is a problem or failure with our websites, it could hurt our ability to advertise and damage our reputation with consumers and advertisers. Additionally, a termination of our hosting agreements or failure to renew on favorable terms could affect our business. Shifting hosting services could require management focus and time and potentially disrupt operations of our websites.

In addition, as operators of content websites reliant on user traffic to sell advertising, our users must have adequate and functioning Internet access. Technical problems with Internet access providers such as cable, DSL satellite or mobile companies may inhibit user access to our websites and slow traffic. Events such as power outages caused by blackouts, brown outs, storm outages or other power issues could also cause loss of user access to our websites.

We process, store and use personal information, payment card information and other consumer data, which subjects us to risks stemming from possible failure to comply with governmental regulation and other legal obligations.

We may acquire personal or confidential information from users of our websites and mobile applications, and we have posted our privacy policies and practices concerning the collection, use and disclosure of user data on such websites and mobile applications.

Numerous laws exist regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information, payment card information and other consumer data, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection; however, these obligations may possibly be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, and they may conflict with other rules or with our practices. Any failure or perceived failure by us, or our service providers, to comply with the privacy policies, privacy-related obligations to users or other third parties, or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information, payment card information or other consumer data, may result in governmental enforcement actions, litigation or public statements against the company by consumer advocacy groups or others and could cause our customers and members to lose trust in us, as well as subject us to bank fines, penalties or increased transaction costs, all of which could have an adverse effect on our business.

The regulatory framework for privacy issues worldwide is currently in flux and is likely to remain so for the foreseeable future. Practices regarding the collection, use, storage, transmission and security of personal information by companies operating over the Internet have recently come under increased public scrutiny. The U.S. Congress and federal agencies, including the Federal Trade Commission (the "FTC") and the Department of Commerce, are reviewing the need for greater regulation for the collection and use of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. Some U.S. courts are also considering the applicability of existing federal and state statutes, including computer trespass and wiretapping laws, to the collection and exchange of information online. Our introduction of new products, the expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, or other government scrutiny. In addition, foreign data protection, privacy, competition, and other laws and regulations can impose different obligations or be more restrictive than those in the United States. Countries in other regions, most notably Asia, Eastern Europe and Latin America, are increasingly implementing new privacy regulations, resulting in additional compliance burdens and uncertainty as to how some of these laws will be interpreted.

As a merchant that accepts debit and credit cards for payment, we are subject to the Payment Card Industry Data Security Standard ("PCI DSS"), issued by the PCI Council. Additionally, we are subject to PCI DSS as a service provider, which is a business entity that is not a payment brand directly involved in the processing, storage, or transmission of cardholder data. PCI DSS contains compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. By accepting debit cards for payment, we are also subject to compliance with American National Standards Institute data encryption standards and payment network security operating guidelines. The cost of complying with stricter privacy and information security laws, standards and guidelines, including evolving PCI DSS standards, and developing, maintaining and upgrading technology systems to address future advances in technology, could be significant and we could experience problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems. Failure to comply with such laws, standards and guidelines, or payment card industry standards could have a material adverse impact on our business, financial condition and results of operations.

Our network operations may be vulnerable to hacking, viruses and other disruptions, which may make our products and services less attractive and reliable and give rise to liabilities.

Our marketplaces and information technology platform generate and process a large quantity of personal, transactional, demographic and behavioral data. The security of data when engaging in e-commerce is essential to maintaining consumer confidence in our services. Any security breach whether instigated internally or externally on our system or other Internet based systems could significantly harm our reputation and therefore our business, brand, market share and results of operations. We require user names and passwords in order to access our information technology systems. We also use encryption and authentication technologies to secure the transmission and storage of data and prevent access to our data or accounts. It is possible that computer circumvention capabilities, new discoveries or advances or other developments, including our own acts or omissions, could result in a compromise or breach of consumer data. For example, third parties may attempt to fraudulently induce employees or customers to disclose user names, passwords or other sensitive information ("phishing"), which may in turn be used to access our information technology systems or to defraud our customers.

Our existing security measures may not be successful in preventing security breaches. A party (whether internal, external, an affiliate or unrelated third party) that is able to circumvent our security systems could steal consumer information or transaction data or other proprietary information and cause disruptions in our service. We may be required to expend significant resources to protect against security breaches or to address problems caused and liabilities incurred by breaches. These issues are likely to become more difficult to manage as we expand the number of places where we operate and as the tools and techniques used in such attacks become more advanced. Security breaches could result in severe damage to our information technology infrastructure, including damage that could impair our ability to offer our services, as well as loss of customer, financial or other data that could materially and adversely affect our ability to conduct our business, satisfy our commercial obligations or meet our public reporting requirements in a timely fashion or at all. Security breaches could also result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability, subject us to regulatory penalties and sanctions, or cause consumers to lose confidence in our security and choose to use the services of our competitors, any of which would have a negative effect on the value of our brand, our market share and our results of operations. Our insurance policies carry low coverage limits, and would likely not be adequate to reimburse us for losses caused by security breaches.

We also face risks associated with security breaches affecting third parties conducting business over the Internet. Consumers generally are concerned with security and privacy on the Internet, and any publicized security problems could inhibit the growth of the Internet and negatively affect consumers' willingness to provide private information or effect commercial transactions on the Internet generally, including through our services. Additionally, consumers using our services could be affected by security breaches at third parties such as travel service providers, payroll providers, health plan providers, payment processors or GDSs upon which we rely. If these third parties or developers fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or our customers' data may be improperly accessed, used, or disclosed. A security breach at any such third-party marketing affiliate, travel service provider, GDS or other third party on which we rely could also be perceived by consumers as a security breach of our systems and in any event could result in negative publicity, damage our reputation, expose us to risk of loss or litigation and possible liability and subject us to regulatory penalties and sanctions. In addition, such third parties may not comply with applicable disclosure requirements, which could expose us to liability.

We are also subject to payment card association rules and obligations under our contracts with payment card processors. Under these rules and obligations, if information is compromised, we could be liable to payment card issuers for associated expenses and penalties. In addition, if we fail to follow payment card industry security standards, even if no customer information is compromised, we could incur significant fines or experience a significant increase in payment card transaction costs.

We use a cloud-based infrastructure. Like many companies using the cloud, we continually strive to meet industry information security standards relevant to our business. We continuously perform vulnerability assessments, review log/access, perform system maintenance, and manage network perimeter protection. A breach of external perimeter may lead to the loss of confidential information.

Our products and internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our products and internal systems rely on software, including software developed or maintained internally and/or by third parties, that is highly technical and complex. In addition, our products and internal systems depend on the ability of such software to store, retrieve, process, and manage immense amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors, bugs, or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in a negative experience for users and marketers who use our products, delay product introductions or enhancements, result in measurement or billing errors, or compromise our ability to protect the data of our users and/or our intellectual property. Any errors, bugs, or defects discovered in the software on which we rely could result in damage to our reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect our business and financial results.

The artificial intelligence market is new and unproven, and it may decline or experience limited growth, which would adversely affect our ability to fully realize the potential of our KanKan data intelligence platform.

The artificial intelligence market is relatively new and unproven and is subject to a number of risks and uncertainties. We believe that our future success will depend in large part on the growth and acceptance of this market. The utilization of our platform by customers is still relatively new, and customers may not recognize the need for, or benefits of, our platform, which may prompt them to decide to adopt alternative products and services to satisfy their cognitive computing search and analytics requirements. Our ability to expand the market that our platform addresses depends upon a number of factors, including the cost, performance and perceived value of our platform. Market opportunity estimates are subject to significant uncertainty and are based on assumptions and estimates, including our internal analysis and industry experience. Assessing the market for our AI-based products in each of the vertical markets we compete in, or plan to compete in, is particularly difficult due to a number of factors, including limited available information and rapid evolution of the market. As a result, we may experience significant reduction in demand for our products and services due to lack of customer acceptance, technological challenges, competing products and services, decreases in spending by current and prospective customers, weakening economic conditions and other causes. If our market does not experience significant growth, or if demand for our AI-based products decreases, then our business, results of operations and financial condition will be adversely affected.

Our continuous access to publicly-available data and to data from partners may be restricted, disrupted or terminated, which would restrict our ability to develop new products and services, or to improve existing products and services, which are based upon our KanKan data intelligence platform.

The success of our AI-based products depends substantially on our ability to continuously ingest and process large amounts of data available in the public domain and provided by our partners, and any interruption to our free access to such publicly-available data or to the data we obtain from our partners will restrict our ability to develop new products and services, or to improve existing products and services. While we have not encountered any significant disruption of such access to date, there is no guarantee that this trend will continue without costs. Public data sources may change their policies to restrict access or implement procedures to make it more difficult or costly for us to maintain access, and partners could decide to terminate our existing agreements with them. If we no longer have free access to public data, or access to data from our partners, the utility of our KanKan mobile application will be significantly reduced and our ability to maintain or improve existing products, or to develop new AI-based products using our DI Software, may be severely limited. Furthermore, we may be forced to pay significant fees to public data sources or to partners to maintain access, which would adversely affect our financial condition and results of operations.

The successful operation of our KanKan data intelligence platform will depend upon the performance and reliability of the Internet infrastructure in China.

The successful operation of KanKan will depend on the performance and reliability of the Internet infrastructure in China. Almost all access to the Internet is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology of China. In addition, the national networks in China are connected to the Internet through state-owned international gateways, which are the only channels through which a domestic user can connect to the Internet outside of China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China’s Internet infrastructure. In addition, the Internet infrastructure in China may not support the demands associated with continued growth in Internet usage.

The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of KanKan. We have no control over the costs of the services provided by the national telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our gross margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, our user traffic may decrease, which in turn may cause a decrease in our revenues.

We may be subject to liability in China with respect to KanKan and Remark Entertainment for content that is alleged to be socially destabilizing, obscene, defamatory, libelous or otherwise unlawful.

Under the laws of the People’s Republic of China, we will be required to monitor our websites and the websites hosted on our servers and mobile interfaces for items or content deemed to be socially destabilizing, obscene, superstitious or defamatory, as well as items, content or services that are illegal to sell online or otherwise in other jurisdictions in which we operate, and promptly take appropriate action with respect to such items, content or services. We may also be subject to potential liability in China for any unlawful actions of our customers or users of our websites or mobile interfaces or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be subject to fines, have our relevant business operation licenses revoked, or be prevented from operating our websites or mobile interfaces in China.

Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may adversely affect our business.

We regard our copyrights, service marks, trademarks, trade secrets and other intellectual property as critical to our success. Unauthorized use of our intellectual property by third parties may adversely affect our business and reputation. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite our precautions, it is possible for third parties to obtain and use our intellectual property without authorization. Furthermore, the validity, enforceability and scope of protection of intellectual property in Internet related industries are uncertain and still evolving. In particular, the laws of the People’s Republic of China are uncertain or do not protect intellectual property rights to the same extent as do the laws of the United States. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Future litigation could result in substantial costs and diversion of resources.

We may be subject to intellectual property infringement claims, which may force us to incur substantial legal expenses and, if determined adversely against us, materially disrupt our business.

We cannot be certain that our brands and services will not infringe valid patents, copyrights or other intellectual property rights held by third parties. We cannot provide assurance that we will avoid the need to defend against allegations of infringement of third-party intellectual property rights, regardless of their merit. Intellectual property litigation is very expensive, and becoming involved in such litigation could consume a substantial portion of our managerial and financial resources, regardless of whether we win. Substantially greater resources may allow some of our competitors to sustain the cost of complex intellectual property litigation more effectively than us; we may not be able to afford the cost of such litigation.

Should we suffer an adverse outcome from intellectual property litigation, we may incur significant liabilities, we may be required to license disputed rights from third parties, or we may have to cease using the subject technology. If we are found to infringe upon third-party intellectual property rights, we cannot provide assurance that we would be able to obtain licenses to such intellectual property on commercially reasonable terms, if at all, or that we could develop or obtain alternative technology. If we fail to obtain such licenses at a reasonable cost, such failure may materially disrupt the conduct of our business, and could consume substantial resources and create significant uncertainties. Any legal action against us or our collaborators could lead to:

- payment of actual damages, royalties, lost profits, potentially treble damages and attorneys' fees if we are found to have willfully infringed a third party's patent rights;
- injunctive or other equitable relief that may effectively block our ability to further develop, commercialize and sell our products;
- us or our collaborators having to enter into license arrangements that may not be available on commercially acceptable terms, if at all; or
- significant cost and expense, as well as distraction of our management from our business.

The negative outcomes discussed above could adversely affect our ability to conduct business, financial condition, results of operations and cash flows.

New regulations governing the Internet and e-commerce may negatively affect our business.

Any new legislation or regulation, or the application of existing laws and regulations to the Internet or other online services, could have a material adverse effect on our business, prospects, and financial conditions and results of operations.

In 2013, the FTC issued a letter reiterating the guidance it issued in 2002, which recommended that all search engine companies ensure that all paid search results are clearly distinguished from non-paid results, that the use of paid search is clearly and conspicuously explained and disclosed and that other disclosures are made to avoid misleading users about the possible effects of paid search listings on search results. The adoption of laws or regulations relating to placement of paid search advertisements or user privacy, defamation or taxation may inhibit the growth in use of the Internet, which in turn, could decrease the demand for our services and increase our cost of doing business or otherwise have a material adverse effect on our business, prospects, financial condition and results of operations.

The application of new and existing laws and regulations to the Internet or other online services has had a material adverse effect on our business, prospects, financial condition and results of operations in the past. For example, on April 17, 2007, the U.S. House of Representatives passed H.R. 1677, The Taxpayer Protection Act of 2007 ("H.R. 1677"). Section 8 of H.R. 1677 would have amended Section 333, Title 31 of the U.S. Code to include Internet domain addresses in the prohibition on certain use of the U.S. Department of the Treasury names and symbols. Although the legislation was never passed by the Senate or signed into law and the bill ceased with the ending of the 110th Congress in January 2009, there is no guarantee that similar legislation won't be introduced and passed into law by the current or future Congress. While the ultimate impact of any such proposed legislation is not presently determinable, if enacted, such legislation may adversely impact our overall operations. We own the Internet domain address US Tax Center at www.irs.com, which is an acronym commonly associated with the Internal Revenue Service, a division of the U.S. Department of the Treasury. While the bill was never passed into law, if enacted, the passage of such legislation could have severely adversely affected our use of our Internet domain address US Tax Center at www.irs.com as well as our overall operations. In the event a bill such as H.R. 1677 were to become law, we intend to continue to be diligent in our communications with the Internal Revenue Service and Congress in an effort to mitigate any potential negative effects of such legislation.

We face intense competition from larger, more established companies, and we may not be able to compete effectively, which could reduce demand for our services.

The market for the services we offer is increasingly and intensely competitive. Nearly all our competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than we do. Our competitors may secure more favorable revenue arrangements with advertisers, devote greater resources to marketing and promotional campaigns, adopt more aggressive growth strategies and devote substantially more resources to website and systems development than we do. In addition, the Internet media and advertising industries continue to experience consolidation, including the acquisitions of companies offering travel and finance-related content and services and paid search services. Industry consolidation has resulted in larger, more established and well-financed competitors with a greater focus. If these industry trends continue, or if we are unable to compete in the Internet media and paid search markets, our financial results may suffer.

Additionally, larger companies may implement policies and/or technologies into their search engines or software that make it less likely that consumers can reach our websites and less likely that consumers will click-through on sponsored listings from our advertisers. The implementation of such technologies could result in a decrease in our revenues. If we are unable to successfully compete against current and future competitors, our operating results will be adversely affected.

If we do not effectively manage our growth, our operating performance will suffer and our financial condition could be adversely affected.

Substantial future growth will be required for us to realize our business objectives. To the extent we are capable of achieving this growth, it will place significant demands on our managerial, operational and financial resources. Additionally, this growth will require us to make significant capital expenditures, hire, train and manage a larger work force, and allocate valuable management resources. We must manage any such growth through appropriate systems and controls in each of these areas. If we do not manage the growth of our business effectively, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

In addition, as our business grows, our technological and network infrastructure must keep in-line with our traffic and advertiser needs. Future demand is difficult to forecast and we may not be able to adequately handle large increases unless we spend substantial amounts to augment our ability to handle increased traffic. Additionally, the implementation of increased network capacity contains some execution risks and may lead to ineffectiveness or inefficiency. This could lead to a diminished experience for our consumers and advertisers and damage our reputation and relationship with them, leading to lower marketability and negative effects on our operating results. Moreover, the pace of innovative change in network technology is fast and if we do not keep up, we may lag behind competitors. The costs of upgrading and improving technology could be substantial and negatively affect our business, financial condition, results of operations and cash flows.

Risks Relating to our Company

We have a history of operating losses and we may not generate sufficient revenue to support our operations.

During the year ended December 31, 2018, and in each fiscal year since our inception, we have incurred net losses and generated negative cash flow from operations, resulting in an accumulated deficit of $321.2 million.

We cannot provide assurance that revenue generated from our businesses will be sufficient to sustain our operations in the long term. We have implemented measures to reduce operating costs, and we continuously evaluate other opportunities to reduce costs further. Additionally, we are working with our advisors to evaluate strategic alternatives, including the potential sale of certain non-core assets, investment assets and operating businesses; toward that end, we have entered into the VDC Transaction. However, we may need to obtain additional capital through equity financing or debt financing. Should we fail to successfully implement our plans described herein, such failure would have a material adverse effect on our business, including the possible cessation of operations.

Conditions in the debt and equity markets, as well as the volatility of investor sentiment regarding macroeconomic and microeconomic conditions, will play primary roles in determining whether we can successfully obtain additional capital. We cannot be certain that we will be successful at raising capital, whether in an equity financing, debt financing, or by divesting of certain assets or businesses, on commercially reasonable terms, if at all. In addition, if we obtain capital by issuing equity, such transaction(s) may dilute existing stockholders.

Additionally, in connection with the VDC Acquisition, we entered into the Financing Agreement, dated as of September 24, 2015 (as amended, the "Financing Agreement") with certain of our subsidiaries as borrowers (together with Remark, the "Borrowers"), certain of our subsidiaries as guarantors (the "Guarantors"), the lenders from time to time party thereto (the "Lenders") and MGG Investment Group LP, in its capacity as collateral agent and administrative agent for the Lenders ("MGG"), pursuant to which the Lenders have extended credit to us a total aggregate principal amount of $35.5 million. (the "Loan"). The terms of the Financing Agreement and related documents are described in Note 11 in the Notes to Consolidated Financial Statements. The Financing Agreement contains limitations on our ability and the ability of our subsidiaries to, among other things, incur additional debt and transfer, sell or otherwise dispose of assets, without the consent of the Lenders. On March 15, 2019, we entered into: (i) a membership interest purchase agreement related to the proposed VDC Transaction (the "VDC Purchase Agreement"), and (ii) a letter agreement under which the Lenders agreed they are willing to forbear from taking enforcement actions under the Financing Agreement and applicable law through up to June 4, 2019 (the "March 2019 Forbearance Letter"). See Note 17 for further information regarding the VDC Purchase Agreement and the March 2019 Forbearance Letter.

On July 2, 2018, we entered into a common stock purchase agreement (the "2018 Aspire Purchase Agreement") with Aspire Capital Fund, LLC ("Aspire Capital"), which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have the right to direct Aspire Capital to purchase up to an aggregate of $30.0 million of shares of our common stock over the 30-month term of the 2018 Aspire Purchase Agreement. The 2018 Aspire Purchase Agreement, which we describe in more detail in Note 14 in the Notes to Consolidated Financial Statements, terminated and replaced the common stock purchase agreement we had entered into with Aspire Capital on November 9, 2016 (the "2016 Aspire Purchase Agreement"). On March 29, 2019, we entered into a new common stock purchase agreement with Aspire Capital; such agreement is described in more detail in Item 9B of this 2018 Form 10-K and in Note 17 in the Notes to Consolidated Financial Statements.

On April 12, 2017, we issued a short-term note payable in the principal amount of $3.0 million to a private lender in exchange for cash in the same amount. The agreement, which does not have a stated interest rate, required us to repay the note plus a fee of $115 thousand on the maturity date of June 30, 2017. The note is accruing interest at $500 per day on the unpaid principal until we repay the note in full.

We are not in compliance with payment and certain other obligations under the Financing Agreement, constituting events of default as a result of which our obligations under the Financing Agreement, including all unpaid principal and interest, may be declared immediately due and payable.

We did not make a required prepayment of $8.0 million principal amount and $3.5 million of exit fees that was due on September 28, 2018 and have not made certain required interest payments under the Financing Agreement. Also, as of December 31, 2018, we were not in compliance with certain covenants under the Financing Agreement, including a covenant requiring us to maintain a balance of at least $2.25 million in a cash collateral account to secure our obligations under the Financing Agreement and a covenant under the Financing Agreement requiring minimum revenue from our KanKan business during the trailing nine-month period ended September 30, 2018 and the trailing twelve-month period ended December 31, 2018. These constitute events of default under the Financing Agreement. As a result of our events of default, the Lenders may declare our obligations under the Financing Agreement, including all unpaid principal and interest, due and payable immediately and exercise such other rights available to them under the Financing Agreement. As of December 31, 2018, $35.5 million of aggregate principal remained outstanding under the Loan. Our available cash and other liquid assets are not sufficient to pay such obligations in full.

We have been actively engaged in discussions with the Lenders regarding a resolution of such events of default. In connection with those discussions, the Lenders informed us that they were willing to forbear from taking enforcement actions against us under the Financing Agreement if we pursued the sale of Vegas.com. Following a sale process, on March 15, 2019, we entered into the VDC Purchase Agreement to sell all of the issued and outstanding membership interests of Vegas.com to

VDC-MGG Holdings LLC, an affiliate of MGG and the Lenders under the Financing Agreement. In connection with our entry into the VDC Purchase Agreement, MGG provided us with the March 2019 Forbearance Letter in which MGG agreed it is willing to forbear from taking enforcement actions under the Financing Agreement and applicable law, effective on such date as we pay certain outstanding costs and expenses of the Lenders payable under the Financing Agreement, through up to June 4, 2019, on the terms and subject to the conditions set forth therein. The forbearance will expire if the VDC Purchase Agreement is terminated by either party for any reason other than for us to enter into an agreement with respect to an alternative transaction to sell all of the issued and outstanding membership interests of Vegas.com under certain limited conditions, or if we or Vegas.com breach or default under the VDC Purchase Agreement, or if we or Vegas.com fail to comply with certain restrictions with respect to cash transfers, among other things.

We cannot provide any assurance that the VDC Transaction will be completed. If MGG's forbearance expires, the Lenders may declare our obligations under the Financing Agreement, including all unpaid principal and interest, due and payable immediately and exercise such other rights available to them under the Financing Agreement and applicable law, which could have a material adverse effect on our financial condition.

Expanding our international operations involves additional risks, and our exposure to such risks increases as our business continues to expand outside of the United States.

We operate outside of the United States in China. China has different economic conditions, languages, currency, consumer expectations, levels of consumer acceptance and use of the Internet for commerce, legislation, regulatory environments (including labor laws and customs), tax laws and levels of political stability. We are subject to associated risks typical of international businesses, including, but not limited to, the following:

- Local economic or political instability;
- Threatened or actual acts of terrorism;
- Compliance with additional laws applicable to companies operating internationally as well as local laws and regulations, including the Foreign Corrupt Practices Act, data privacy requirements, labor and employment law, laws regarding advertisements and promotions and anti-competition regulations;
- Diminished ability to legally enforce contractual rights;
- Increased risk and limits on enforceability of intellectual property rights;
- Restrictions on, or adverse consequences related to, the withdrawal of non-U.S. investment and earnings;
- Restrictions on repatriation of cash as well as restrictions on investments in operations;
- Financial risk arising from transactions in multiple currencies as well as foreign currency exchange restrictions;
- Difficulties in managing staff and operations due to distance, time zones, language and cultural differences; and
- Uncertainty regarding liability for services, content and intellectual property rights, including uncertainty as a result of local laws and lack of precedent.

Operating our business in China exposes us to particular risks and uncertainties relating China's laws and regulations, some of which restrict foreign investment in businesses including Internet content providers, mobile communication and related businesses. In addition, compliance with legal, regulatory or tax requirements in multiple jurisdictions places demands on our time and resources, and we may nonetheless experience unforeseen and potentially adverse legal, regulatory or tax consequences. In China, legal and other regulatory requirements may prohibit or limit participation by foreign businesses, such as by making foreign ownership or management of Internet businesses illegal or difficult, or may make direct participation in those markets uneconomic, which could make our entry into and expansion in those markets difficult or impossible, require that we work with a local partner or result in higher operating costs. Although we have established effective control of our Chinese business through a series of contractual arrangements, future developments in the interpretation or enforcement of Chinese laws and regulations or a dispute relating to these contractual arrangements could restrict our ability to operate or restructure our business or to engage in strategic transactions. The success of our business in China, and of any future investments in China, is subject to risks and uncertainties regarding the application, development and interpretation of China's laws and regulations. If we cannot effectively manage our China operations, our business, results of operations and financial condition could be adversely affected.

Furthermore, when we accumulate large amounts of cash in China, which we will consider indefinitely reinvested in our China operations, the repatriation of such funds for use in the United States, including for corporate purposes such as acquisitions, stock repurchases, dividends or debt refinancing, may result in additional U.S. income tax expense and higher cost for such capital.

If the Chinese government deems that the contractual arrangements in relation to our variable interest entities ("VIEs") do not comply with its restrictions on foreign investment, or if Chinese regulations or the interpretation of existing regulations changes in the future, we could be subject to penalties or be forced to relinquish our interests in our China operations.

Various regulations in China restrict or prohibit wholly foreign-owned enterprises from operating in specified industries such as Internet information, financial services, Internet access and certain other industries. In order to comply with Chinese regulatory requirements, we conduct certain of our operations in China through contractual arrangements with our VIEs, which are incorporated in China and owned by members of our management team. These contractual arrangements are intended to give us effective control over each of the VIEs and enable us to receive substantially all of the economic benefits arising from the VIEs as well as consolidate the financial results of the VIEs in our results of operations. We expect that an increased amount of our revenue will be generated through our VIEs. Although the VIE structure we have adopted is consistent with longstanding industry practice, and has been adopted by comparable companies in China, there are substantial uncertainties regarding the interpretation and application of Chinese laws and regulations, and there can be no assurance that the Chinese government would agree that these contractual arrangements comply with China's licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. Chinese laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

If the VIE structure is deemed by Chinese regulators having competent authority to be illegal, either in whole or in part, we may lose control of our VIEs and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that we could achieve this without material disruption to our business. Further, if the VIE structure is found to be in violation of any existing or future Chinese laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations. Furthermore, new Chinese laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our contractual arrangements with our VIEs. Occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations.

Our contractual arrangements may not be as effective in providing control over the VIEs as direct ownership.

Because we are restricted or prohibited by the Chinese government from owning certain Internet operations in China, we are dependent on our VIEs, in which we have no direct ownership interest, to provide our FinTech and AI-based products and services through contractual arrangements among the parties and to hold some of our assets. These contractual arrangements may not be as effective in providing control over our operations as direct ownership of these businesses. For example, if we had direct ownership of our VIEs, we would be able to exercise our rights as a shareholder to effect changes in their boards of directors, which in turn could effect changes at the management level. Due to our VIE structure, we have to rely on contractual rights to effect control and management of our VIEs, which exposes us to the risk of potential breach of contract by the VIEs or their shareholders. In addition, as each of our VIEs is jointly owned by its shareholders, it may be difficult for us to change our corporate structure if such shareholders refuse to cooperate with us. In addition, some of our subsidiaries and VIEs could fail to take actions required for our business. Furthermore, if the shareholders of any of our VIEs were involved in proceedings that had an adverse impact on their shareholder interests in such VIE or on our ability to enforce relevant contracts related to the VIE structure, our business would be adversely affected.

Any failure by our VIEs or their shareholders to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations.

If our VIEs or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce the arrangements. We have also entered into equity pledge agreements with respect to each VIE to secure certain obligations of such variable interest entity or its shareholders to us under the contractual arrangements. However, the enforcement of these agreements through arbitration or judicial agencies may be costly and time-consuming and will be subject to uncertainties in China’s legal system. Moreover, our remedies under the equity pledge agreements are primarily intended to help us collect debts owed to us by the VIEs or the VIEs’ shareholders under the contractual arrangements and may not help us in acquiring the assets or equity of the VIEs.

The contractual arrangements with our VIEs may be subject to scrutiny by China’s tax authorities. Any adjustment of related party transaction pricing could lead to additional taxes, and therefore substantially reduce our consolidated net income and the value of your investment.

The tax regime in China is rapidly evolving and there is significant uncertainty for Chinese taxpayers as Chinese tax laws may be interpreted in significantly different ways. China’s tax authorities may assert that we or the VIEs or their shareholders are required to pay additional taxes on previous or future revenue or income. In particular, under applicable Chinese laws, rules and regulations, arrangements and transactions among related parties, such as the contractual arrangements with our VIEs, may be subject to audit or challenge by China’s tax authorities. If China’s tax authorities determine that any contractual arrangements were not entered into on an arm's length basis and therefore constitute a favorable transfer pricing, the China tax liabilities of the relevant subsidiaries, VIEs or VIE shareholders could be increased, which could increase our overall tax liabilities. In addition, China’s tax authorities may impose interest on late payments. Our net income may be materially reduced if our tax liabilities increase. It is uncertain whether any new China laws, rules or regulations relating to VIE structures will be adopted or, if adopted, what they would provide.

If we or any of our VIEs are found to be in violation of any existing or future China laws, rules or regulations, or if we fail to obtain or maintain any of the required permits or approvals, the relevant China regulatory authorities would have broad discretion to take action in dealing with these violations or failures, including revoking the business and operating licenses of our China subsidiaries or the VIEs, requiring us to discontinue or restrict our operations, restricting our right to collect revenue, blocking one or more of our websites, requiring us to restructure our operations or taking other regulatory or enforcement actions against us. The imposition of any of these measures could result in a material adverse effect on our ability to conduct all or any portion of our business operations. In addition, it is unclear what impact Chinese government actions would have on us and on our ability to consolidate the financial results of any of our VIEs in our consolidated financial statements, if China’s governmental authorities were to find our legal structure and contractual arrangements to be in violation of China laws, rules and regulations. If the imposition of any governmental actions causes us to lose our right to direct the activities of any of our material VIEs or otherwise separate from any of these entities, and if we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our VIEs in our consolidated financial statements. Any of these events would have a material adverse effect on our business, financial condition and results of operations.

The shareholders, directors and executive officers of the VIEs may have potential conflicts of interest with us.

Our VIEs are owned by members of our management team. In addition, these individuals are also directors and officers of the VIEs. Chinese laws provide that a director and an executive officer owe a fiduciary duty to the company he or she directs or manages. The directors and executive officers of the VIEs must therefore act in good faith and in the best interests of the VIEs, and must not use their respective positions for personal gain. These laws, however, do not require them to consider the best interests of Remark when making decisions as a director or member of the management of the VIEs. Conflicts may arise between these individuals’ fiduciary duties as directors and officers of the VIEs and Remark.

Conflicts of interest may also arise due to the individuals’ roles as shareholders of the VIEs and their duties as our employees. The shareholders of the VIEs may breach, or cause the VIEs to breach, the VIE contracts. As a result, we might have to rely on legal or arbitral proceedings to enforce our contractual rights. Any failure by our VIEs or their shareholders to perform their obligations under the contractual arrangements would have a material adverse effect on our business, financial condition and results of operations.

Our substantial indebtedness and other payment obligations could adversely affect our financial health.

We have outstanding principal indebtedness of $35.5 million under the Loan. As of December 31, 2018, after amendments and other events described in Note 11 in the Notes to Consolidated Financial Statements, the Loan bore interest at three-month LIBOR (with a floor of 1%) plus 11% per annum, payable monthly, and had a maturity date of September 30, 2020. The Loan is secured by a first-priority lien on, and security interest in, all assets of Remark and our subsidiaries, subject to certain exceptions.

The Financing Agreement and related documents also provide for certain fees payable to the Lenders, totaling $2.25 million at December 31, 2018, and for the issuance of warrants to purchase shares of our common stock.

We also have outstanding principal indebtedness of $3.0 million under the short-term note payable described earlier in this section.

Our substantial indebtedness and other payment obligations could have important consequences to our stockholders. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow for working capital and general corporate purposes;
- increase our vulnerability to and limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit our ability to borrow additional funds; and
- make us more vulnerable to a general economic downturn than a company that is less leveraged.

The Financing Agreement contains certain covenants that restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions.

The Financing Agreement, as amended, requires us to satisfy various covenants, including financial covenants with respect to quarterly earnings before interest, taxes, depreciation and amortization ("EBITDA") levels of Vegas.com, quarterly revenue generated by KanKan and the value of our assets. The Financing Agreement also contains restrictions on our abilities to engage in certain transactions without the consent of the Lenders, and may limit our ability to respond to changing business and economic conditions. These restrictions include, among other things, limitations on our ability and the ability of our subsidiaries to:

- create liens on assets to secure debt;
- incur additional debt;
- merge or consolidate with another company;
- transfer, sell or otherwise dispose of assets;
- engage in other businesses;
- make investments;
- enter into transactions with affiliates; and
- create dividend and other payment restrictions affecting subsidiaries.

Our inability to comply with the financial covenants under the Financing Agreement may have a material adverse effect on our financial condition.

We are actively engaged in discussions with the Lenders regarding a resolution of the events of default under the Financing Agreement described herein. On October 16, 2018, in connection with those discussions, we agreed to increase the amount of the exit fees payable to the Lenders under the Financing Agreement by $1.0 million. Also in connection with those discussions, the Lenders have informed us that they are willing to forbear from taking any enforcement actions against us through at least December 31, 2018 if we continue to pursue certain strategic alternatives. We have engaged a financial advisor to assist us in assessing and pursuing those strategic alternatives, and we intend to continue pursuing those strategic alternatives and others, including the potential sale of certain non-core assets, investment assets and operating businesses, and to explore other alternatives for obtaining financing. We cannot provide any assurance that we will be successful in completing a strategic transaction or obtaining alternative financing, or that the Lenders will forbear from taking any enforcement actions against us. In March 2019, we entered into the VDC Transaction with an affiliate of the Lenders. See Note 17 for more information regarding subsequent events relating to the Financing Agreement.

We continue to evolve our business strategy and develop new brands, products and services, and our future prospects are difficult to evaluate.

We are in varying stages of development with regard to our business, including our artificial intelligence business driven by our KanKan Data Intelligence platform, so our prospects must be considered in light of the many risks, uncertainties, expenses, delays, and difficulties frequently encountered by companies in their early stages of development. Some of such risks and difficulties include our ability to, among other things:

- increase the number of users of our websites and mobile applications;
- manage and implement new business strategies;
- successfully commercialize and monetize our assets;
- successfully attract advertisers for our owned and operated websites;
- continue to raise additional working capital;
- manage operating expenses;
- establish and take advantage of strategic relationships;
- successfully avoid diversion of management's attention or of other resources from our existing business
- successfully avoid impairment of goodwill or other intangible assets such as trademarks or other intellectual property arising from acquisitions;
- prevent, or successfully temper, adverse market reaction to acquisitions;
- manage and adapt to rapidly changing and expanding operations;
- respond effectively to competitive developments; and
- attract, retain and motivate qualified personnel.

Because of the early stage of development of certain of our business operations, we cannot be certain that our business strategy will be successful or that it will successfully address the risks described or alluded to above. Any failure by us to successfully implement our new business plans could have a material adverse effect on our business, financial condition, results of operations and cash flows. Furthermore, growth into new areas may require changes to our cost structure, modifications to our infrastructure and exposure to new regulatory, legal and competitive risks.

If we fail to manage our growth, we may need to improve our operational, financial and management systems and processes which may require significant capital expenditures and allocation of valuable management and employee resources. As we continue to grow, we must effectively integrate, develop and motivate new employees, including employees in international markets, while maintaining the beneficial aspects of our company culture. If we do not manage the growth of our business and operations effectively, the quality of our platform and efficiency of our operations could suffer, which could harm our brand, results of operations and business.

We cannot assure you that these investments will be successful or that such endeavors will result in the realization of the full benefits of synergies, cost savings, innovation and operational efficiencies that may be possible or that we will achieve these benefits within a reasonable period of time.

If we are not able to attract and retain key management, we may not successfully integrate acquired assets into our existing business or achieve our other business objectives.

We will depend upon the contributions of our senior management, including our Chief Executive Officer, Interim Chief Financial Officer and Vice President, Technology, for our future business success. The loss of the service of any of the key members of our senior management may significantly delay or prevent the integration of acquired assets and other business objectives.

Our investment in Sharecare's equity securities involves a substantial degree of risk.

Our investment in Sharecare's equity securities is illiquid and might fail to appreciate and might decline in value or become worthless. Sharecare is unlikely to pay current dividends on its equity securities, and our ability to realize a return on our investment, and recover our investment, will be dependent on Sharecare's continued success.

Our ability to realize the value of our investment might be limited, because it is a private company. There is no public market for Sharecare's securities, which are subject to restrictions on resale that might prevent us from selling such securities during periods in which it would be advantageous to do so. As a result, we might have to wait for a liquidity event, such as a public offering or the sale of Sharecare, to realize the value of our investment, if any.

Our equity position in Sharecare may be diluted if Sharecare issues additional equity, options, or warrants. If Sharecare makes a capital call of its existing equity holders, our position may be diluted if we choose not to contribute additional capital.

We could incur further asset impairment charges for intangible assets or other long-lived assets.

We have intangible assets and other long-lived assets, therefore future lower-than-anticipated financial performance or changes in estimates and assumptions, which in many cases require significant judgment, could result in impairment charges. We test intangible assets that are determined to have an indefinite life for impairment during the fourth quarter of each fiscal year, and assess whether factors or indicators, such as unfavorable variances from established business plans, significant changes in forecasted results or volatility inherent to external markets and industries, become apparent that would require an interim test. Adverse changes in the operating environment and related key assumptions used to determine the fair value of our indefinite lived intangible assets or declines in the value of our common stock may result in future impairment charges for a portion or all of these assets. Any further impairment charge could have a material adverse effect on our business, financial position and results of operations, but would not be expected to have an impact on our cash flows or liquidity.

Risks Relating to the Pending VDC Transaction

The announcement and pendency of the VDC Transaction, regardless of whether such transaction is consummated, may adversely affect our business.

The announcement and pendency of the VDC Transaction, regardless of whether such transaction is consummated, may adversely affect the trading price of our common stock, our business or our relationships with clients, vendors and employees. As a result of the announcement and pendency of the VDC Transaction, third parties may be unwilling to enter into material agreements with respect to our business. New or existing clients, vendors and other business partners may prefer to enter into agreements with our competitors who have not expressed an intention to sell a portion of their business because clients and business partners may perceive that such new relationships are likely to be more stable. In addition, pending the completion of the VDC Transaction, we may be unable to attract and retain key personnel as our employees may become concerned about the future of our business and lose focus or seek other employment. Furthermore, our management's focus and attention and employee resources may be diverted from operational matters during the pendency of the VDC Transaction. The Purchase Agreement also imposes certain restrictions on the conduct of our business prior to the completion of the VDC Transaction, which could delay or prevent us from undertaking business opportunities that may arise pending completion of the VDC Transaction. In the event that the VDC Transaction is not completed, the announcement of the termination of the VDC Purchase Agreement may also adversely affect the trading price of our common stock, our business or our relationships with clients, vendors and employees.

If we fail to complete the VDC Transaction, our business may be harmed.

We cannot provide assurances that the VDC Transaction will be completed. The closing of the VDC Purchase Agreement is subject to a number of conditions, including but not limited to (i) our obtaining stockholder approval of the VDC Transaction, (ii) an absence of a material adverse effect on Vegas.com, (iii) Vegas.com's purchasing at its expense a six-year tail directors' and officers' liability insurance policy, (iv) Vegas.com and its subsidiaries' having at least $1.5 million in cash at closing, and (v) with respect to a certain intellectual property license agreement pursuant to which certain intellectual property is licensed to Vegas.com, execution and delivery of an assignment of such agreement by the licensor party to such agreement to the record owner of the relevant intellectual property.

We are currently in default under the Financing Agreement. In connection with the entry into the VDC Purchase Agreement, MGG provided us with the March 2019 Forbearance Letter in which MGG agreed it is willing to forbear from taking enforcement actions under the Financing Agreement and applicable law, through up to June 4, 2019, on the terms and subject to the conditions set forth therein. The forbearance will expire if the VDC Purchase Agreement is terminated by either party for any reason other than for our entry into an agreement with respect to an alternative transaction to sell all of the issued and outstanding membership interests of Vegas.com under certain limited conditions. If MGG's forbearance expires, as a result of existing events of default under the Financing Agreement, the Lenders may declare our obligations under the Financing Agreement, including all unpaid principal and interest, due and payable immediately and exercise such other rights available to them under the Financing Agreement and applicable law, which could have a material adverse effect on our financial condition.

If the VDC Transaction is not completed, our Board, in discharging its fiduciary obligations to our stockholders, will evaluate other strategic alternatives to the VDC Transaction that may be available, which alternatives may not be as favorable to our stockholders as the VDC Transaction. Any future sale of substantially all of our assets or other transactions may be subject to further stockholder approval.

If we fail to complete the VDC Transaction, the failure to maintain existing business relationships or enter into new ones could adversely affect our business, results of operations and financial condition. The potential for loss or disaffection of employees or clients or vendors of the VDC Transaction following a failure to consummate the VDC Transaction could have a material, negative impact on the value of our business.

In addition, if the VDC Transaction is not completed, our directors, executive officers and other employees will have expended extensive time and effort and experienced significant distractions from their work during the pendency of the transaction and we will have incurred significant third-party transaction costs, in each case, without any commensurate benefit, which may have a material and adverse effect on our stock price and results of operations.

Vegas.com has historically accounted for a substantial portion of our revenue. If we complete the VDC Transaction, we will become entirely dependent on our remaining business units.

We have incurred significant operating losses since our inception. Vegas.com and its subsidiaries accounted for approximately 87%, 87% and 96% of our consolidated revenues for the years ended December 31, 2018, 2017 and 2016, respectively. If we complete the VDC Transaction, we will be exiting the Vegas.com business and we will no longer benefit from its performance. Following the VDC transaction, we will become entirely dependent upon our technology and data intelligence business and our other digital media properties. Although we expect the revenue generated from our technology and data intelligence business to grow in the future, our business will be substantially different following the VDC Transaction, and there can be no assurance that we will achieve sustained growth, achieve or sustain profitability, or generate positive cash flows from our technology and data intelligence business, or in new products or business opportunities we may pursue.

We will be unable to compete with Vegas.com's business for three years from the date of closing.

We have agreed that, for a period of three years after the closing of the VDC Transaction, we will not (i) directly or indirectly own, manage, operate, finance, control or knowingly participate in the ownership, management, operation, control or financing of any entity that has operations engaged, directly or indirectly, in the business of running an online agency that, through websites and mobile applications, allows users to book travel to, and lodging and entertainment in, the Las-Vegas-area market, or (ii) solicit or induce for employment, hire or otherwise retain any individual who is an employee of Vegas.com at closing and remains employed by Vegas.com following the closing. While we do not currently believe these limitations negatively affect our remaining business, the non-compete provisions will restrict our ability to engage in any business that competes with Vegas.com's business for three years from the date of closing.

We may be exposed to litigation related to the VDC Transaction from the holders of our common stock.

Transactions such as the VDC Transaction are often subject to lawsuits by stockholders. Particularly because the holders of our common stock will not receive any consideration from the VDC Transaction, it is possible that they may sue us or our Board. Such lawsuits could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

We may be unable to realize the benefits of our net operating loss ("NOL") and capital loss carryforwards.

The amount of NOL and capital loss carryforwards that we have claimed have not been audited or otherwise validated by the U.S. Internal Revenue Service (the "IRS"). The IRS could challenge our calculation of the amount of our NOL and capital loss carryforwards or our determinations as to when a prior change in ownership occurred, and other provisions of the IRC may limit our ability to utilize our NOL and capital loss carryforwards to offset taxable income and capital gains. If the IRS is successful with respect to any such challenge, the tax benefit of our NOL and capital loss carryforwards to us could be substantially reduced.

Risks Relating to Our Common Stock

Our stock price has fluctuated considerably and is likely to remain volatile, and various factors could negatively affect the market price or market for our common stock.

The trading price of our common stock has been and may continue to be volatile. From January 1, 2017, through March 28, 2019, the high and low sales prices for our common stock were $15.10 and $1.05, respectively. The trading price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- general market and economic conditions;
- the low trading volume and limited public market for our common stock;
- minimal third-party research regarding our company; and
- the current and anticipated future operating performance and equity valuation of Sharecare, in which we have a significant equity investment.

In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. Such broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance.

The concentration of our stock ownership may limit individual stockholder ability to influence corporate matters.

As of March 28, 2019, our Chairman and Chief Executive Officer, Kai-Shing Tao, may be deemed to beneficially own 10,200,634 shares, or 22.6% of our common stock and Ernest T. Lee may be deemed to beneficially own 5,343,569 shares, or 13.1% of our common stock. The interests of these stockholders may not always coincide with the interests of other stockholders, and they may act in a manner that advances their best interests and not necessarily those of other stockholders, and might affect the prevailing market price for our securities.

If these stockholders act together, they may be able to exert significant control over our management and affairs requiring stockholder approval, including approval of significant corporate actions. Such concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common stock.

Sales of our common stock to Aspire Capital may cause substantial dilution to our existing stockholders and the sale of the shares of common stock acquired by Aspire Capital could cause the price of our common stock to decline.

Pursuant to the 2018 Aspire Purchase Agreement, we issued 213,574 shares of our common stock and, upon the terms and subject to the conditions and limitations set forth therein, we may sell as much as an aggregate of $30 million of our common stock to Aspire Capital from time to time over the 30-month term of the 2018 Aspire Purchase Agreement, which expires January 2, 2021. The number of shares ultimately sold to Aspire Capital is dependent upon our election to sell to Aspire Capital under the 2018 Aspire Purchase Agreement. Depending on a variety of factors, including market liquidity of our common stock, the sale of shares under the 2018 Aspire Purchase Agreement may cause the trading price of our common stock to decline.

After Aspire Capital has acquired shares under the 2018 Aspire Purchase Agreement, it may sell all, some or none of those shares. Sales to Aspire Capital pursuant to the 2018 Aspire Purchase Agreement may result in dilution to the interests of other holders of our common stock. The sale of a substantial number of shares of our common stock to Aspire Capital, or anticipation of such sales, could cause the trading price of our common stock to decline or make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise desire. However, we have the right under the 2018 Aspire Purchase Agreement to control the timing and amount of sales of our shares to Aspire Capital, and the 2018 Aspire Purchase Agreement may be terminated by us at any time at our discretion without any penalty or cost to us. As of March 28, 2019, we have sold 4,761,905 shares of common stock to Aspire Capital in exchange for $12.5 million pursuant to the 2018 Aspire Purchase Agreement.

On March 29, 2019, we entered into a new common stock purchase agreement with Aspire Capital; such agreement is described in more detail in Item 9B of this 2018 Form 10-K and in Note 17 in the Notes to Consolidated Financial Statements.

A significant number of additional shares of our common stock may be issued under the terms of existing securities, which issuances would substantially dilute existing stockholders and may depress the market price of our common stock.

As of March 28, 2019, we had outstanding stock options allowing for the purchase of as many as approximately 10.8 million shares of common stock and we had outstanding warrants to purchase 10,062,754 shares of common stock. The number of outstanding warrants include certain of the CBG Acquisition Warrants and the CBG Financing Warrants, providing for the right to purchase 40,000 and 3,312,754 shares of common stock, respectively, at per-share exercise prices of $10.00 and $4.43, respectively, and it also includes additional unissued CBG Acquisition Warrants allowing for the purchase of 5,710,000 shares of common stock at a per-share exercise price of $10.00 (we have already accounted for the liability associated with such unissued CBG Acquisition Warrants in our consolidated balance sheet as part of the line item Warrant liability). On February 21, 2018, we initiated a legal proceeding seeking, among other things, a declaration that we are not required to deliver the unissued CBG Acquisition Warrants. The parties to the proceeding entered into a Stipulation for Settlement which sets forth terms with respect to the issuance of such unissued CBG Acquisition Warrants. We describe the Stipulation for Settlement in more detail in Item 3 of this 2018 Form 10-K.

The CBG Acquisition Warrants and the CBG Financing Warrants are exercisable on a cashless basis only. As a result of the cashless exercise requirement, neither the CBG Acquisition Warrants nor the CBG Financing Warrants can be exercised for the entire amount of shares purchasable under the warrants, and they effectively cannot be exercised to purchase shares of common stock unless the applicable market value of the common stock exceeds the applicable exercise price under the terms thereof.

The issuance of common stock pursuant to the warrants described above would substantially dilute the proportionate ownership and voting power of existing stockholders, and their issuance, or the possibility of their issuance, may depress the market price of our common stock.

Provisions in our corporate charter documents and under Delaware law could make an acquisition of Remark more difficult, which acquisition may be beneficial to stockholders.

Provisions in our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, as well as provisions of the General Corporation Law of the State of Delaware ("DGCL"), which may discourage, delay or prevent a merger with, acquisition of or other change in control of Remark, even if such a change in control would be beneficial to our stockholders, include the following:

- only our Board of Directors may call special meetings of our stockholders;
- our stockholders may take action only at a meeting of our stockholders and not by written consent;
- we have authorized, undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval.

Additionally, Section 203 of the DGCL prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. We have not opted out of the restriction under Section 203, as permitted under DGCL.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. PROPERTIES

We conduct our operations primarily from leased office space located in and around the Las Vegas area. Our principal executive office is located in Las Vegas, Nevada, where we lease approximately 39,000 square feet of office space pursuant to a lease expiring in February 2024. Our Vegas.com business previously conducted its operations from approximately 33,000 square feet of leased office space located in Henderson, Nevada, pursuant to a lease expiring in September 2022; we have sublet the majority of this office space.

We primarily manage our KanKan business from our China headquarters in Chengdu, China, with support from our offices in Shanghai and Hangzhou.

ITEM 3. LEGAL PROCEEDINGS

On February 21, 2018, we initiated a legal proceeding (the “CBG Litigation”) against CBG, Adam Roseman, and CBG’s Joint Official Liquidators (the “JOLs”)arising from the CBG Acquisition. The CBG Litigation was filed in the United States District Court for the District of Nevada and is captioned as *Remark Holdings, Inc., et al. v. China Branding Group, Limited (In Official Liquidation), et al.*, Case No. 2:18-cv-00322. In the CBG Litigation, we are seeking a declaration from the court that we are entitled to rescission of the CBG Purchase Agreement and all transactions related to the CBG Acquisition, a declaration that the CBG Purchase Agreement and the transactions consummated pursuant thereto be rescinded and void *ab initio*, a declaration that we are not required to deliver the remaining CBG Acquisition Warrants allowing for the purchase of 5,710,000 shares of common stock at a per-share exercise price of $10.00, an order directing release to us of any consideration held in escrow in connection with the CBG Acquisition, and disgorgement of all consideration paid by us in connection with the CBG Acquisition. We are alleging that the defendants fraudulently mispresented and concealed material information regarding the companies we acquired in the CBG Acquisition.

The Plaintiffs, CBG, and the JOLs entered into a Stipulation for Settlement dated January 15, 2019, which sets forth the binding terms of their settlement agreement (the "Stipulation for Settlement"). Pursuant to the Stipulation for Settlement, we shall issue fully-transferable warrants on a non-diluted basis allowing for the purchase of 5,710,000 shares of our common stock at a per-share exercise price of $6.00, which warrants are exercisable for a period of five years from the date of the Stipulation for Settlement, and which we have the right to cause the warrant holders to exercise if the closing price of our common stock is $8.00 or greater on any five non-consecutive days in any consecutive thirty-day trading window. The parties to the Stipulation for Settlement also agreed to negotiate anti-dilution provisions for the warrants. In exchange for the foregoing consideration, the parties to the Stipulation for Settlement agreed to release their claims against each other and enter into a written definitive settlement agreement. After entering into the Stipulation for Settlement, the JOLs demanded the warrants also include an exchange right. We rejected this request as it is a material term that was not included in the Stipulation for Settlement, which we believe is binding and enforceable. We filed a motion to enforce the Stipulation for Settlement on March 12, 2019, and intend to vigorously protect our rights thereunder. Mr. Roseman's motion to dismiss was granted in part on March 27, 2019, with the Court granting the Plaintiffs leave to file an amended complaint on or before April 9, 2019. The motion to dismiss filed by CBG and the JOLs remains pending before the Court.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

PART II

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

MARKET INFORMATION

Our common stock is listed on the NASDAQ Capital Market under the symbol MARK.

HOLDERS OF COMMON STOCK

We had approximately 99 holders of record of our common stock as of March 28, 2019.

DIVIDENDS

We have never declared or paid dividends or distributions on our common equity. We currently intend to retain all available funds and any future consolidated earnings to fund our operations and continue the development and growth of our business; therefore, we do not anticipate paying any cash dividends.

UNREGISTERED SALES OF EQUITY SECURITIES

On November 2, 2018, we sold 200,000 shares to an accredited investor in a private placement for $0.5 million. On December 4, 2018, we sold an aggregate of 2,384,616 shares to accredited investors in private placements for an aggregate of $3.1 million.

We made the offers and sales of securities in the above-described private placements in reliance upon an exemption from registration requirements pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, based upon representations made to us by the investors in purchase agreements we entered into with the investors.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable

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

You should read our discussion and analysis of our financial condition and results of operations for the year ended December 31, 2018 in conjunction with our consolidated financial statements and notes thereto set forth in Part II, Item 8 of this 2018 Form 10-K. Such discussion and analysis includes forward-looking statements that involve risks and uncertainties and that are not historical facts, including statements about our beliefs and expectations. You should also read Business, Risk Factors and Special Note Regarding Forward-Looking Statements in this 2018 Form 10-K.

OVERVIEW

We are primarily a technology-focused company, devoting a large and increasing portion of our resources towards growing our KanKan business, which we report as our Technology & Data Intelligence segment. The segment generates our data platform services revenue by developing and deploying artificial intelligence ("AI") products and AI-based solutions for businesses in many industries and geographies, as well as by providing financial technology ("FinTech") services. Though we currently focus our KanKan business on the Asia-Pacific region, we have initiated marketing activities in Europe and the United States and are launching several proof-of-concept projects.

We have been developing AI-based vision products, computing devices and software-as-a-service products that we are launching across a wide range of applications within the financial, retail, entertainment, education, and workplace and public-safety industries. We constantly improve our KanKan data and AI platform with advanced data, algorithms and training; our facial-recognition algorithms recently received top rankings in Labeled Faces in the Wild (hosted by the University of Massachusetts) and MegaFace (hosted by the University of Washington), two widely-recognized global facial-recognition testing platforms. Among the other work that we have ramped up during 2018, we continue partnering with top universities on research projects targeting algorithm, artificial neural network and computing architectures, which we believe keeps us among the leaders in technology development.

We also own and operate Vegas.com, an online agency catering to the travel and entertainment needs of visitors to the Las Vegas area and those of Las Vegas locals. Our Travel & Entertainment segment generates transaction services revenue from sales of travel and entertainment products, such as show tickets and hotel rooms. See Note 17 in Notes to Consolidated Financial Statements for more information regarding subsequent events relating to our Travel and Entertainment segment.

Various advertising mechanisms and other activity, such as online merchandise sales, also contribute to our consolidated revenue.

The following table presents our revenue categories as a percentage of total consolidated revenue during the years ended December 31, 2018 and 2017.

	Year Ended December 31,	
	2018	2017
Transaction services	82%	81%
Data platform services	10%	8%
Advertising and other	8%	11%

Our Travel & Entertainment segment experienced a record number of transactions during 2018. Such activity, a large portion of which resulted from significant improvement in conversion rates related to entertainment bookings, gives us confidence that our strategy of gaining market share in the entertainment market by continuing to invest in technology and marketing is succeeding. As we have previously noted, we continue to focus on expanding our presence on mobile devices and improving the user experience on our mobile online offerings, and will also continue making changes to our desktop experience such as those that led to our improved conversion rates.

We recognized revenue during the year ended December 31, 2018 from creating and deploying several projects. We are currently passing proof-of-concept tests and beginning deployment and implementation on additional AI projects. We will continue to accelerate our development and deployment of products and services built upon our KanKan data and AI platform, and we expect our operating expenses to increase in line with such activity.

Revenue from our FinTech services, which represents commissions we earn for providing high-quality loan candidates to our customers, was impacted by the industry-wide regulatory audit in China. After January 2018, due to the regulatory changes resulting from the audit, we ceased providing such services under our then-existing FinTech contracts that gave rise to Reimbursement Obligations (see Note 2 in the Notes to Consolidated Financial Statements for more information).

Matters Affecting Comparability of Results

We have changed how we present operating expense to better reflect the activities that generate such expense. As a result, the operating expense line items in our results of operations for the year ended December 31, 2017 were reclassified to conform to the current presentation as of December 31, 2018.

CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of our results of operations and liquidity and capital resources is based upon our financial statements. We prepare our financial statements in conformity with accounting principles generally accepted in the United States ("GAAP"). Certain of our accounting policies require that we apply significant judgment in determining the estimates and assumptions for calculating estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. We use, in part, our historical experience, terms of existing contracts, observance of trends in the industry and information obtained from independent valuation experts or other outside sources to make our judgments. We cannot assure you that our actual results will conform to our estimates. We regularly evaluate these estimates and assumptions, particularly in areas we consider to be critical accounting estimates, where changes in estimates and assumptions could have a material impact on our results of operations, financial position and, generally to a lesser extent, cash flows.

Senior management and the Audit Committee of the Board of Directors have reviewed the disclosures included herein about our critical accounting estimates, and have reviewed the processes to determine those estimates.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Estimates incorporated into our consolidated financial statements include the estimated useful lives for depreciable and amortizable assets, the fair value of the derivative and non-derivative liabilities related to certain stock warrants we issued, the fair value of stock options issued under our equity incentive plans, the estimated cash flows we use in assessing the recoverability of long-lived assets, and the estimated fair values we use when indicators suggest the need to quantitatively test goodwill for impairment. Actual results could differ from those estimates.

Business Combinations

We include the results of operations of the businesses that we acquire as of the respective dates of acquisition. We allocate the purchase price of our acquisitions to the identifiable tangible and intangible assets acquired and liabilities assumed based on the estimated fair values of such assets and liabilities, with the excess of the fair value of purchase price over the fair values of these identifiable assets and liabilities recorded as goodwill. When determining the fair values of assets acquired and liabilities assumed, we make significant estimates and assumptions, especially with respect to intangible assets.

Critical estimates in valuing certain intangible assets include, but are not limited to, the future expected cash flows resulting from customer relationships and from the use of domain names, the amount of hypothetical royalty income that could be generated if trademarks and trade names were licensed from an independent third party, as well as discount rates. We base estimates of fair value upon assumptions we believed to be reasonable, but which are inherently uncertain and unpredictable; therefore, actual results may differ from our estimates.

Accounting for Share-Based Compensation

For grants of restricted stock or restricted stock units, we measure fair value using the closing price of our stock on the measurement date, while we use the Black-Scholes-Merton option pricing model (the "BSM Model") to estimate the fair value of stock options and similar instruments awarded.

The BSM Model requires the following inputs:

- **Expected volatility of our stock price.** We analyze the historical volatility of our stock price utilizing daily stock price returns, and we also review the stock price volatility of certain peers. Using the information developed from such analysis and our judgment, we estimate how volatile our stock price will be over the period we expect the stock options will remain outstanding.

- **Risk-free interest rate.** We estimate the risk-free interest rate using data from the Federal Reserve Treasury Constant Maturity Instruments H.15 Release (a table of rates downloaded from the Federal Reserve website) as of the valuation date for a security with a remaining term that approximates the period over which we expect the stock options will remain outstanding.

- **Stock price, exercise price and expected term.** We use an estimate of the fair value of our common stock on the measurement date, the exercise price of the option, and the period over which we expect the stock options will remain outstanding.

We do not currently issue dividends, but if we did so, then we would also include an estimated dividend rate as an input to the BSM model. Generally speaking, the BSM model tends to be most sensitive to changes in stock price, volatility or expected term.

We measure compensation expense as of the grant date for granted equity-classified instruments and as of the settlement date for granted liability-classified instruments (meaning that we re-measure compensation expense at each balance sheet date until the settlement date occurs).

Once we measure compensation expense, we recognize it over the requisite service period (generally the vesting period) of the grant, net of forfeitures as they occur.

Liabilities Related to Warrants Issued

We record certain common stock warrants we issued (see Note 4 in Notes to Consolidated Financial Statements for more detailed information) at fair value and recognize the change in the fair value of such warrants as a gain or loss which we report in the Other income (expense) section in our consolidated statement of operations. We report some of the warrants that we record at fair value as liabilities because they contain certain provisions allowing for reduction of their exercise price, while others are recorded as liabilities because they contain a conditional promise to issue a variable number of our common stock shares upon the warrants' expiration, and the monetary amount of such obligation was fixed at the inception of the contract.

We estimate the fair value of the warrants using the Monte Carlo Simulation method. The Monte Carlo Simulation method uses many of the same types of estimated inputs, such as the expected volatility of our stock price, the risk-free interest rate and the expected term of the warrant, as the BSM Model that we use to estimate the fair value of stock options that we issue.

Impairments

Long-Lived Assets Other Than Indefinite-Lived Intangible Assets. When events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, we evaluate long-lived assets for potential impairment. We estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition and, if the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, we recognize an impairment loss for the difference between the carrying value of the asset and its fair value.

Goodwill and Indefinite-Lived Intangible Assets. When testing for impairment, we first evaluate qualitative factors to determine whether events and circumstances indicate that, more likely than not, an indefinite-lived intangible asset is impaired. If, after evaluating the totality of events and circumstances and their potential effect on significant inputs to the fair value determination, we determine that, more likely than not, an indefinite-lived intangible asset is impaired, we then quantitatively test for impairment.

Investment. We routinely perform an assessment of our investments in Sharecare, Inc. ("Sharecare") and in Beijing All-in-one Cloud Net Technology, Co. Ltd. ("AIO") to determine if they are other-than-temporarily impaired. An investment is impaired when the fair value of the investment declines to an amount less than the cost or amortized cost of that investment. As part of our assessment process, we determine whether the impairment is temporary or other-than-temporary. We base our assessment on both quantitative criteria and qualitative information, considering a number of factors including, but not limited to how long the security has been impaired, the amount of the impairment, the financial condition and near-term prospects of the issuer, whether the issuer is current on contractually-obligated interest and principal payments, key corporate events pertaining to the issuer and whether the market decline was affected by macroeconomic conditions.

If we determine that an investment has incurred an other-than-temporary impairment, we permanently reduce the cost of the security to fair value and recognize an impairment charge in our consolidated statements of operations.

Recently Issued Accounting Pronouncements

Please refer to Note 2 in the Notes to Consolidated Financial Statements included in this report for a discussion regarding recently issued accounting pronouncements which may affect us.

RESULTS OF OPERATIONS

The following discussion summarizes our operating results for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Reportable Segment Results

Travel and Entertainment

	Year Ended December 31,		Change	
	2018	2017	Dollars	Percentage
Revenue	$ 69,057	$ 61,543	$ 7,514	12 %
Cost of revenue	11,725	10,768	957	9 %
Sales and marketing	34,083	30,200	3,883	13 %
Technology and development	8,939	8,144	795	10 %
General and administrative	4,823	4,980	(157)	(3)%
Depreciation and amortization	8,786	8,473	313	4 %
Other operating expenses	954	783	171	22 %
Total cost and expenses	69,310	63,348	5,962	9 %

Revenue. We continue to experience increased conversion of traffic through our sales channels. The increased transactions, as well as a shift in product mix to higher-margin products, lead to an increase in services revenue during the year ended December 31, 2018 of $9.4 million.

The increased revenue from transaction growth was partially offset by a decrease of approximately $1.2 million from hotel transactions resulting from lower average purchase prices due to market conditions.

We do not currently sell advertising on mobile devices, so the movement of online traffic from desktop devices to mobile devices caused a decline in advertising revenue during the year ended December 31, 2018 of approximately $0.4 million, which also partially offset the increased revenue from transaction growth. Various immaterial declines in other revenue categories also contributed to offsetting of the increase resulting from show ticket sales.

Cost of revenue. For our travel and entertainment segment, cost of revenue consists mainly of credit card fees we incur when customers book travel or entertainment through our sales channels. Such costs increased by approximately $0.7 million in conjunction with the increase in transactions.

Sales and marketing. The increase in our sales and marketing expense in the travel and entertainment segment was driven primarily by a $4.3 million increase in paid search marketing cost at Vegas.com. The increases resulted from the competitive nature of the paid search marketplace. The increases in conversion of traffic allowed Vegas.com to spend more in paid search to increase market share, which resulted in more transactions and increased revenue. The increased expense was partially offset by a $0.4 million decrease in contract labor and other marketing expenses.

Technology and development. The increase in our technology and development expense in the travel and entertainment segment was driven primarily by a $0.6 million increase in payroll-related costs related to our technology staff due to annual salary increases and a decrease in payroll-related costs being capitalized to projects. The inclusion of stock-based compensation expense within the segment contributed an additional increase in expense of $0.2 million. During the year ended December 31, 2017, stock-based compensation was reported within the non-reportable-segment business as part of our Corporate Entity.

Technology and Data Intelligence

	Year Ended December 31,		Change	
	2018	2017	Dollars	Percentage
Revenue	$ 8,030	$ 5,744	$ 2,286	40 %
Cost of revenue	11,637	4,997	6,640	133 %
Sales and marketing	1,200	359	841	234 %
Technology and development	3,955	2,414	1,541	64 %
General and administrative	2,208	800	1,408	176 %
Depreciation and amortization	653	520	133	26 %
Other operating expenses	129	287	(158)	(55)%
Total cost and expenses	19,782	9,377	10,405	111 %

Revenue. Revenue resulting from AI projects increased by $2.8 million as a result of passing proof-of-concept tests on several projects and beginning the deployment and implementation phases. Such projects deliver fully-integrated AI solutions which combine our proprietary technology with third-party hardware and software products to meet end-user specifications. Partially offsetting the increase in revenue from AI projects was a decrease of $0.5 million in FinTech revenue as a result of discontinuing services under existing FinTech contracts due to regulatory changes resulting from the industry-wide audit in China.

Cost of revenue. The increase in our cost of revenue resulted from equipment purchases and software development related to completed projects. Some of such projects, described above, supported the increases in our data platform services revenue. We also completed two fully-integrated AI solutions for which we have fully performed under the agreement and title to the product passed to our customer, so we have recognized cost of revenue of $4.0 million; however, we have not recognized the $4.6 million of revenue from such projects due to uncertainty regarding the timing of collection of amounts payable to us under the agreement. The uncertainty regarding the timing of collection prevents us from determining that collectibility of all amounts payable to us under the agreements is probable, resulting in a timing difference between recognition of cost and recognition of revenue.

Sales and marketing. Costs related to traveling and attending conferences to meet with clients and potential clients increased by $0.5 million as we increased our efforts to market our increasing portfolio of products. Additionally, payroll-related costs related to our sales staff in the Technology and Data Intelligence segment increased $0.3 million primarily as a result of increased sales staff.

Technology and development. Payroll-related costs related to our technology staff in the Technology and Data Intelligence segment increased $1.9 million. The increase included $1.4 million in personnel added during the year which consisted primarily of technology-focused employees to accelerate product development and support an increased number of our projects in the proof-of-concept phase, and $0.5 million less in payroll-related costs being capitalized to projects. The increase in payroll-related costs was partially offset by a decrease of $0.5 million in stock-based compensation expense which resulted due to the decline in the price of our common stock causing us to reduce our estimate of the fair value of the liability-classified awards we grant to employees based in China.

General and administrative. Employee costs related to our administrative staff increased $0.5 million primarily due to compensation expense for our Vice President, Technology , who is primarily responsible for oversight of KanKan, as well as the expenses associated with his travel between our corporate headquarters and Chengdu offices. Stock-based compensation expense increased $0.3 million, because it was reported within the non-reportable-segment business as part of our Corporate Entity in the prior year. Facilities and consulting fees further increased by $0.4 million as we expanded our operations.

Consolidated Results

	Year Ended December 31,		Change	
	2018	2017	Dollars	Percentage
Revenue	$ 79,110	$ 70,601	$ 8,509	12 %
Cost of revenue	24,628	16,909	7,719	46 %
Sales and marketing	38,391	33,252	5,139	15 %
Technology and development	13,332	11,642	1,690	15 %
General and administrative	33,344	19,391	13,953	72 %
Depreciation and amortization	10,875	11,070	(195)	(2)%
Impairments	2,209	14,646	(12,437)	(85)%
Other operating expenses	1,084	1,070	14	1 %
Total cost and expenses	123,863	107,980	15,883	15 %
Interest expense	(6,491)	(4,645)	(1,846)	40 %
Other income, net	282	23	259	1,126 %
Change in fair value of warrant liability	27,879	(64,139)	92,018	(143)%
Other gain (loss)	858	(317)	1,175	(371)%
Total Other expense	22,528	(69,078)	91,606	(133)%

Consolidated results of operations were primarily impacted by the results of operations of our reportable segments, as described above.

Revenue. In addition to the changes discussed in our reportable segments, the revenue reported by our Remark Entertainment business (formerly referred to as our Fanstang business) decreased by $1.0 million primarily due to contracts for live broadcast events and sponsorships that expired in the prior year and have not been renewed.

Technology and development. All our stock-based compensation expense, including the $0.7 million related to our China-based technology staff, was recorded at the corporate entity in 2017. In 2018, stock-based compensation related to our China-based technology staff was recorded in the Technology and Data Intelligence segment.

General and administrative. The increase in general and administrative expense incurred by our non-reportable-segment businesses was affected by the following:

- In January 2018, we immediately recognized $11.6 million of stock-based compensation expense related to a grant of an option to purchase 1.3 million shares of our common stock at an exercise price of $7.81 per share to our Chief Executive Officer. The effect of that single award was partially offset by differences in the amount and timing of stock option grants to other employees, resulting in a net increase of $9.1 million in stock-based compensation expense.

- During the first quarter of 2018, we determined that we would no longer use certain leased office space and, as a result, we sublet the majority of such office space to third parties. As a result of our decision, we recognized $2.3 million of rent expense and an associated liability for early lease termination. No similar transactions occurred during the same period of the prior year.

- Our increased use of consultants for certain new strategic and administrative projects, primarily one to enhance the rigor of our global Sarbanes-Oxley compliance program, added $1.1 million more than in the same period of the prior year.

- Legal expense increased approximately $0.3 million, primarily as a result of litigation work related to the CBG Acquisition and contract review and translation services related to the increased number of contracts related to our business in China.

Depreciation and amortization. Impairments in 2017 of certain intangible assets resulted in $0.4 million less amortization in 2018, while several software assets became fully amortized during the first three quarters of 2018, resulting in $0.3 million less amortization in 2018.

Impairments. During the fourth quarter of 2017, we recognized losses of $5.8 million and $8.8 million on impairments of long-lived intangible assets and goodwill, respectively, which we acquired in the CBG Acquisition. During 2018, we recorded a $0.6 million impairment of the remaining long-lived intangible asset which we acquired in the CBG Acquisition, while our sale of substantially all remaining assets of Banks.com resulted in a $1.6 million impairment loss related to goodwill.

Interest expense. In October 2018, we agreed to increase the amount of the exit fees payable to the Lenders under the Financing Agreement by $1.0 million, an amount we accrued as interest expense. The remaining increase in interest expense was the result of amortization of discount on our debt. We accounted for the amendments to the Financing Agreement executed since October 2017 as debt modifications, adding $2.5 million to the amount of discount on our debt in the form of additional fees.

Other gain (loss). During June 2018 we sold the IRS.com domain and in December 2018 we sold the Banks.com domain, resulting in gains of $0.6 million and $0.4 million, respectively.

Change in fair value of warrant liability. The fair value of our warrant liability maintains a direct relationship with the price of our common stock, such that the significant decrease in our common stock price between December 31, 2017 and December 31, 2018 resulted in a $27.9 million decrease in the fair value of our warrant liability. Additionally, the fair value of our warrant liability decreased by $59.9 million in January 2018 as a result of the warrant exercises and warrant calls described in Note 4 in the Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the year ended December 31, 2018, and in each fiscal year since our inception, we have incurred net losses and generated negative cash flow from operations, resulting in an accumulated deficit of $321.2 million and a cash and cash equivalents balance of $14.4 million, both amounts as of December 31, 2018. Our net revenue during the year ended December 31, 2018 was $79.1 million.

We are a party to the Financing Agreement, pursuant to which the Lenders have extended credit to the Borrowers consisting of the Loan in the aggregate principal amount of $35.5 million. As of December 31, 2018, the Loan bore interest at three-month LIBOR (with a floor of 1%) plus 11% per annum, payable monthly, and had a maturity date of September 30, 2020. The material terms of the Financing Agreement, the amendments thereto, and related documents effective as of December 31, 2018 are described in Note 11 in the Notes to Consolidated Financial Statements. As of December 31, 2018, $35.5 million of aggregate principal remained outstanding under the Loan, which bore an applicable interest rate of approximately 13% per annum. Our available cash and other liquid assets are not sufficient to pay our obligations under the Financing Agreement in full.

Pursuant to the Fourth Financing Amendment dated as of April 30, 2018, the Borrowers agreed to make a prepayment of $8.0 million principal amount outstanding and $3.5 million of exit fees under the Financing Agreement within 60 days following the date of the Fourth Financing Amendment. Pursuant to the Fifth Financing Amendment dated as of June 29, 2018, the Lenders agreed, among other things, to extend the due date of the prepayments and fees required by the Fourth Financing Amendment for up to three months, provided that we made extension payments on the first business day of each such month. The extension payments were $250,000 for each of the first two months and $500,000 for the third month, with the final extension period ending on September 28, 2018. We made the extension payments required by the Fifth Financing Amendment to extend the payment date to September 28, 2018; however, we did not make the payments required on such date, which constitutes an event of default under the Financing Agreement. As a result of the default, from September 28, 2018, the Loan bore interest at the interest rate described above.

The Financing Agreement also contains certain affirmative and negative covenants, including but not limited to financial covenants with respect to quarterly EBITDA levels and the value of our assets. As of December 31, 2018 and September 30, 2018, we were not in compliance with the covenants under the Financing Agreement requiring minimum revenue from our KanKan business during the year ended December 31, 2018 of $25.0 million and during the trailing nine month period ended September 30, 2018 of $12.6 million, as actual revenue from our KanKan business during such periods was $8.0 million and $5.6 million, respectively. Our non-compliance with such covenants constitute events of default under the Financing Agreement.

On October 4, 2018, $2.25 million held in a cash collateral account to secure our obligations under the Financing Agreement (such amount reflected in Restricted cash in our consolidated balance sheet) was transferred to the Lenders and applied to the amount of exit fees due and payable under the Financing Agreement. The Financing Agreement requires us to maintain a balance in that account of at least $2.25 million and we have not replaced that amount transferred to Lenders, which constitutes an event of default under the Financing Agreement.

On October 16, 2018, in connection with our discussions with Lenders regarding a resolution of the events of default then existing under the Financing Agreement described herein, we agreed to increase the amount of the exit fees payable to the Lenders under the Financing Agreement by $1.0 million. On March 15, 2019, and as described in Note 17 in the Notes to Consolidated Financial Statements, MGG provided us with the March 2019 Forbearance Letter in which MGG agreed it is willing to forbear from taking enforcement actions under the Financing Agreement and applicable law, effective on such date as we pay certain outstanding costs and expenses of the Lenders payable under the Financing Agreement, through up to June 4, 2019. Additionally, in connection with our entry into the VDC Purchase Agreement, we are in discussions with MGG regarding an amendment to the Financing Agreement, anticipated to be entered into at the closing of the VDC Transaction.

On September 24, 2015, concurrently with the closing of the VDC Acquisition, Vegas.com entered into a Letter of Credit Facility Agreement with Bank of America, N.A., which currently expires on May 31, 2019, providing for a letter of credit facility with up to $9.3 million of availability. On November 27, 2018, we amended the Letter of Credit Facility Agreement to increase the facility's availability to $11.0 million. Amounts available under the letter of credit facility are subject to customary fees and are secured by a first-priority lien on, and security interest in, a cash collateral account with the bank containing cash equal to 101.25% of the aggregate outstanding undrawn face amount of all letters of credit under the letter of credit facility outstanding.

On April 12, 2017, we issued a short-term note payable in the principal amount of $3.0 million to a private lender in exchange for cash in the same amount. The agreement, which does not have a stated interest rate, required us to repay the note plus a fee of $115 thousand on the maturity date of June 30, 2017. The note is accruing interest at $500 per day on the unpaid principal until we repay the note in full.

Pursuant to the terms of the purchase agreement we entered into in connection with the VDC Acquisition, we are obligated to make an Earnout Payment based upon the performance of Vegas.com in the year ended December 31, 2018. The $1.0 million Earnout Payment will be due in the second quarter of 2019.

On November 9, 2016, we entered into the 2016 Aspire Purchase Agreement with Aspire Capital, which provided that, upon the terms and subject to the conditions and limitations set forth therein, we had the right to direct Aspire Capital to purchase up to an aggregate of $20.0 million of shares of our common stock over the 30-month term of the 2016 Aspire Purchase Agreement. Purchases under the 2016 Aspire Purchase Agreement were made at prices calculated in accordance with the terms of the 2016 Aspire Purchase Agreement at the time of our submission to Aspire Capital of a purchase notice specifying such number of shares to be purchased, subject to maximum dollar and share amounts for sales on any one date unless the parties mutually agreed otherwise. Additionally, the total number of shares issuable pursuant to the 2016 Aspire Purchase Agreement was limited to 4,273,411 shares (the "2016 Aspire Exchange Cap"), or 19.99% of our shares of common stock outstanding as of the date of the 2016 Aspire Purchase Agreement, unless stockholder approval was obtained in accordance with the rules of the Nasdaq Stock Market. If stockholder approval was not obtained, such limitation would not apply after the 2016 Aspire Exchange Cap was reached if at all times thereafter the average purchase price paid for all shares issued under the 2016 Aspire Purchase Agreement was equal to or greater than $3.96 per share. As of the termination of the 2016 Aspire Purchase Agreement effective July 2, 2018, we had issued the maximum number of shares issuable within the 2016 Aspire Exchange Cap, including 4,121,896 shares purchased by Aspire Capital for an aggregate purchase price of $12.8 million and 151,515 shares issued to Aspire Capital upon executing the 2016 Aspire Purchase Agreement. As of July 2, 2018, we had not obtained stockholder approval and we were able to make subsequent issuances under the 2016 Aspire Purchase Agreement only if and to the extent that following such issuance the average purchase price paid was equal to or greater than $3.96 per share.

On July 2, 2018, we entered into the 2018 Aspire Purchase Agreement with Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have the right to direct Aspire Capital to purchase up to an aggregate of $30.0 million of shares of our common stock over the 30-month term of the 2018 Aspire Purchase Agreement. Purchases under the 2018 Aspire Purchase Agreement, which is described in more detail in Note 14 in the Notes to Consolidated Financial Statements, are made at prices calculated in accordance with the terms of the 2018 Aspire Purchase Agreement at the time of our submission to Aspire Capital of a purchase notice specifying such number of shares to be purchased, subject to maximum dollar and share amounts for sales on any one date unless the parties mutually agree otherwise. Additionally, the total number of shares that may be issued pursuant to the 2018 Aspire Purchase Agreement is limited to 6,629,039 shares (the "2018 Aspire Exchange Cap"), which represents 19.99% of our shares of common stock outstanding as of the date of the 2018 Aspire Purchase Agreement, unless stockholder approval is obtained in accordance with the rules of the Nasdaq Stock Market. If stockholder approval is not obtained, such limitation will not apply after the 2018 Aspire Exchange Cap is reached if at all times thereafter the average purchase price paid for all shares issued under the 2018 Aspire Purchase Agreement is equal to or greater than $3.91 per share. As of December 31, 2018, we have issued to Aspire Capital a total of 3,308,812 shares of our common stock under the 2018 Aspire Purchase Agreement, including 3,095,238 shares purchased by Aspire Capital for an aggregate purchase price of $10.0 million, and 213,574 shares issued to Aspire Capital upon executing the 2018 Aspire Purchase Agreement. As of December 31, 2018, we had not obtained stockholder approval and we were able to issue to Aspire Capital up to a maximum of 3,320,227 additional shares under the 2018 Aspire Purchase Agreement, unless and to the extent that following such issuance the average purchase price paid was equal to or greater than $3.91 per share.

On March 29, 2019, we entered into a common stock purchase agreement (the "2019 Aspire Purchase Agreement") with Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have the right to direct Aspire Capital to purchase up to an aggregate of $30.0 million of shares of our common stock over the 30-month term of the 2019 Aspire Purchase Agreement. Purchases under the 2019 Aspire Purchase Agreement, which is described in more detail in Item 9B in this 2018 Form 10-K and in Note 17, are made at prices calculated in accordance with the terms of the 2019 Aspire Purchase Agreement at the time of our submission to Aspire Capital of a purchase notice specifying such number of shares to be purchased, subject to maximum dollar and share amounts for sales on any one date unless the parties mut ually agree otherwise. Additionally, the total number of shares that may be issued pursuant to the 2019 Aspire Purchase Agreement is limited to 8,140,373 shares (the "2019 Aspire Exchange Cap"), which represents 19.99% of our shares of common stock outstanding as of the date of the 2019 Aspire Purchase Agreement, unless stockholder approval is obtained in accordance with the rules of the Nasdaq Stock Market. If stockholder approval is not obtained, such limitation will not apply after the 2019 Aspire Exchange Cap is reached if at all times thereafter the average purchase price paid for all shares issued under the 2019 Aspire Purchase Agreement is equal to or greater than $1.85 per share.

Our history of recurring operating losses, working capital deficiencies and negative cash flows from operating activities, in conjunction with the ongoing events of default under the Financing Agreement, give rise to substantial doubt regarding our ability to continue as a going concern.

We intend to fund our future operations and meet our financial obligations through revenue growth in our Technology and Data Intelligence segment; however, we cannot provide assurance that revenue, income and cash flows generated from our businesses will be sufficient to sustain our operations in the long term (including but not limited to payment of the amounts required under the Financing Agreement). As a result, we are actively evaluating strategic alternatives including the potential sale of certain non-core assets, investment assets and operating businesses. However, we may need to obtain additional capital through equity financing or debt financing.

Conditions in the debt and equity markets, as well as the volatility of investor sentiment regarding macroeconomic and microeconomic conditions, will play primary roles in determining whether we can successfully obtain additional capital. Additionally, pursuant to the Financing Agreement, we are subject to certain limitations on our ability and the ability of our subsidiaries to, among other things, incur additional debt and transfer, sell or otherwise dispose of assets, without the consent of the Lenders. We cannot be certain that we will be successful at raising additional capital.

A variety of factors, many of which are outside of our control, affect our cash flow; those factors include regulatory issues, competition, financial markets and other general business conditions. Based on financial projections, we believe that we will be able to meet our ongoing requirements for at least the next 12 months following this report, (including repayment of our existing debt as it matures) with existing cash, cash equivalents and cash resources, and based on the probable success of one or more of the following plans:

- monetize existing assets
- work with our creditors to modify existing arrangements or refinance our debt
- obtain additional capital through equity issuances, including but not limited to under the 2018 Aspire Purchase Agreement and 2019 Aspire Purchase Agreement (which issuances may dilute existing stockholders)

However, projections are inherently uncertain and the success of our plans is largely outside of our control. As a result, there is substantial doubt regarding our ability to continue as a going concern, and we may fully utilize our cash resources prior to April 1, 2020.

Cash Flows - Operating Activities

We used $7.7 million more cash from operating activities during the year ended December 31, 2018 than we did during the year ended December 31, 2017. The increase in cash used in operating activities is a result of an increase in operating losses, including the increase in our operations in China (which included increasing payroll costs); paying security deposits related to our travel and entertainment business; increasing the use of consultants for certain new strategic and administrative projects (primarily one to enhance the rigor of our global Sarbanes-Oxley compliance program) and the timing of payments related to elements of working capital.

Cash Flows - Investing Activities

During the year ended December 31,2018, we received approximately $1.1 million upon the sales of the IRS.com and Banks.com web domains. The proceeds from such sales were almost entirely offset by our payment of $0.5 million towards our investment in AIO (see Note 6 in the Notes to Consolidated Financial Statements for more details) and by a reduction of $0.5 million in capital expenditures.

Cash Flows - Financing Activities

During the year ended December 31, 2018, our financing activities provided $11.4 million less from the issuance of shares of our common stock, including from stock option exercises, than during the same period of 2017. During 2018 we also paid approximately $1.5 million in loan fees related to our debt modifications, as well as $2.3 million of exit fees to the Lenders as described in Note 11 in the Notes to Consolidated Financial Statements. In 2017, we received $3.0 million from the issuance of debt, while no such transactions occurred in 2018.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

We have included the required financial statements and schedules in this 2018 Form 10-K beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures designed to provide reasonable assurance that the information we must disclose in reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. We designed our disclosure controls with the objective of ensuring we accumulate and communicate this information to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under Exchange Act, as of the end of the period covered by this report. Based upon that evaluation, our management, including our principal executive officer and principal financial officer, concluded that, due to the identification of the material weaknesses in our internal control over financial reporting as further described below, our disclosure controls and procedures were not effective at a reasonable assurance level as of December 31, 2018. Notwithstanding the material weaknesses in our internal control over financial reporting, the consolidated financial statements included in this Annual Report on Form 10-K fairly present, 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 of America.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018 based on the framework set forth in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Management identified material weaknesses related to the sufficiency of documentation of review and approval of manual journal entries. Specifically, we failed to retain documentary evidence that we had reviewed underlying information at a sufficient level of detail. As a result, we are unable to demonstrate our effective review prior to approval of manual journal entries. Management also identified a material weakness related to insufficient documentation of our consideration of appropriate revenue recognition criteria for certain contracts arising from our Technology and Data Intelligence segment. As a result, there is a risk that we could misapply the new revenue recognition guidance and improperly recognize revenue.

During our fourth quarter of 2018 evaluation, management concluded that we did not select and develop control activities that contributed to the mitigation of risks to acceptable levels, as required by the control activities component of the COSO framework, including the documentation of appropriate review and approval of manual journal entries, our consideration of appropriate revenue recognition criteria for certain contracts arising from our Technology and Data Intelligence segment, and our monitoring and activity-level controls specific to various business processes within our Technology and Data Intelligence segment. The failure to retain appropriate documentation of our review and approval of manual journal entries has a pervasive impact and, as such, this deficiency resulted in a risk that could have impacted virtually all financial statement account balances and disclosures. Regarding our Technology and Data Intelligence segment, the failure to document consideration of appropriate revenue recognition for certain contracts resulted in a risk that could have materially impacted revenue and cost of sales, while we noted deficiencies in our monitoring and activity-level controls related to processes including accounts payable, accrued liabilities, payroll and fixed assets. The deficiencies in the various business processes aggregate to a material weakness.

Based upon our evaluation, our management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2018.

Changes in Internal Control over Financial Reporting

Except for the identified material weaknesses, there was no change in our internal control over financial reporting during the fiscal quarter ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Remediation Efforts to Address the Material Weakness

We are committed to maintaining a strong internal control environment and will make remediation efforts to improve our controls. With the oversight of senior management, subsequent to December 31, 2018, a plan to remediate the underlying causes of the material weaknesses and improve the design and operating effectiveness of internal control over financial reporting and our disclosure controls has been developed and is being implemented. We expect that the remediation of the material weakness will be completed prior to the end of second quarter 2019.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Remark Holdings, Inc.

Adverse Opinion on Internal Control over Financial Reporting
We have audited Remark Holdings, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, because of the effect of the material weaknesses described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by COSO.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. There is a material weakness related to the design and operating effectiveness of the Company's controls over the review and approval over the preparation of manual journal entries, which impacts various areas including but not limited to revenue recognition, accounts payable and accrued expenses, relative to its internal control over financial reporting. In addition, we noted a material weakness related to the design and operating effectiveness of the Company's internal controls over revenue recognition in China. We also identified deficiencies related to the adequacy of the Company's monitoring and activity level controls specific to various business processes in China, including accounts payable, accrued liabilities, payroll, and fixed assets. These deficiencies aggregate to a material weakness. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report dated April 1, 2019, on those consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows of the Company, and our report dated April 1, 2019, expressed an unqualified opinion with an explanatory paragraph regarding substantial doubt about the Company's ability to continue as a going concern.

Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are

recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Disclaimer on Additional Information in Management's Report
We do not express an opinion or any other form of assurance on management's statements, included in the accompanying Management's Report on Internal Control over Financial Reporting, referring to corrective actions taken after December 31, 2018, relative to the aforementioned material weaknesses in internal control over financial reporting.

/s/ Cherry Bekaert LLP

Atlanta, Georgia
April 1, 2019

ITEM 9B. OTHER INFORMATION

New Common Stock Purchase Agreement

On March 29, 2019, we entered into the 2019 Aspire Purchase Agreement with Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have the right to direct Aspire Capital to purchase up to an aggregate of $30.0 million of shares of our common stock over the 30-month term of the 2019 Aspire Purchase Agreement. Upon the satisfaction of certain commencement conditions set forth in the 2019 Aspire Purchase Agreement, the 2019 Aspire Purchase Agreement will replace the 2018 Aspire Purchase Agreement, which will terminate under the terms of the 2019 Aspire Purchase Agreement. In consideration for entering into the 2019 Aspire Purchase Agreement, upon commencement of the 2019 Aspire Purchase Agreement, we will issue to Aspire Capital $0.9 million of shares of our common stock.

Under the 2019 Aspire Purchase Agreement, on any trading day over the 30-month term of such agreement, we have the right, in our sole discretion, to present Aspire Capital with a purchase notice (each, a "Purchase Notice") directing Aspire Capital to purchase up to 50,000 shares of our common stock per trading day, up to an aggregate of $30.0 million under the 2019 Aspire Purchase Agreement, at a per share price (the "Purchase Price") equal to the lesser of (i) the lowest sale price of our common stock on the purchase date or (ii) the arithmetic average of the three lowest closing sale prices for our common stock during the 10 consecutive trading days ending on the trading day immediately preceding the purchase date.

The aggregate purchase price payable by Aspire Capital on any one purchase date may not exceed $250,000, unless otherwise mutually agreed. The parties may mutually agree to increase the number of shares of our common stock that may be purchased per trading day pursuant to the terms of the 2019 Aspire Purchase Agreement to 3,000,000 shares.

In addition, on any trading day on which we submit a Purchase Notice to Aspire Capital to purchase at least 50,000 shares, we also have the right, in our sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing Aspire Capital to purchase an amount of our common stock equal to up to 30% of the aggregate shares of our common stock traded on the next trading day (the "VWAP Purchase Date"), subject to a maximum number of shares we may determine, and a minimum purchase price threshold equal to the greater of (i) 80% of the closing price of our common stock on the trading day immediately preceding the VWAP Purchase Date or (ii) a higher price that may be determined by us. The purchase price per share pursuant to such VWAP Purchase Notice will be equal to the lesser of (i) the closing sale price of our common stock on the VWAP Purchase Date, or (ii) 97% of the volume-weighted average price for our common stock traded on its principal market on the VWAP Purchase Date.

We may deliver multiple Purchase Notices and VWAP Purchase Notices to Aspire Capital from time to time during the term of the Purchase Agreement, so long as the most recent purchase has been completed.

In addition, Aspire Capital will not be required to buy any shares of our common stock pursuant to a Purchase Notice on any trading day on which the closing trade price of our common stock is below $0.25. There are no trading volume requirements or restrictions under the 2019 Aspire Purchase Agreement, and we will control the timing and amount of sales of our common stock to Aspire Capital. Aspire Capital has no right to require any sales by us, but is obligated to make purchases from us as directed by us in accordance with the 2019 Aspire Purchase Agreement. There are no limitations on use of proceeds, financial or business covenants, restrictions on future fundings, rights of first refusal, participation rights, penalties or liquidated damages in the 2019 Aspire Purchase Agreement. The 2019 Aspire Purchase Agreement may be terminated by us at any time, at our discretion, without any cost to us. Aspire Capital has agreed that neither it nor any of its agents, representatives and affiliates will engage in any direct or indirect short-selling or hedging our common stock during any time prior to the termination of the 2019 Aspire Purchase Agreement.

The 2019 Aspire Purchase Agreement provides that the total number of shares that may be issued pursuant to such agreement is limited to 8,140,373 shares (the “2019 Aspire Exchange Cap”), or 19.99% of our shares of common stock outstanding as of the date of the 2019 Aspire Purchase Agreement, unless stockholder approval is obtained in accordance with the rules of the Nasdaq Stock Market. If stockholder approval is not obtained, such limitation will not apply after the 2019 Aspire Exchange Cap is reached if at all times thereafter the average purchase price paid for all shares issued under the 2019 Aspire Purchase Agreement is equal to or greater than $1.85 per share. The 2019 Aspire Purchase Agreement also provides that at no time will Aspire Capital (together with its affiliates) beneficially own more than 19.99% of our outstanding shares of common stock.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We incorporate the information this item requires by referring to the information under the captions **Proposal No. 1: Election of Directors** and **Corporate Governance** in our proxy statement for our 2019 annual meeting of stockholders ("2019 Proxy Statement"), which we will file with the SEC pursuant to Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION

We incorporate the information this item requires by referring to the information under the caption **Executive Compensation** in our 2019 Proxy Statement, which we will file with the SEC pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We incorporate the information this item requires by referring to the information under the caption **Security Ownership of Certain Beneficial Owners and Management** in our 2019 Proxy Statement, which we will file with the SEC pursuant to Regulation 14A.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents certain information as of December 31, 2018 regarding our equity compensation plans (the 2010 Equity Incentive Plan, the 2014 Equity Incentive Plan, and the 2017 Equity Incentive Plan, all of which were approved by our security holders):

Plan category	Number of Common Stock Shares to be Issued upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance under Plans
Approved by security holders	10,874,849	$ 4.36	8,299,807
Not approved by security holders	—	$ —	—

See more detailed information regarding our equity compensation plans in Note 14 in the Notes to Consolidated Financial Statements in this 2018 Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

We incorporate the information this item requires by referring to the information under the captions **Proposal No. 1: Election of Directors** and **Corporate Governance** in our 2019 Proxy Statement, which we will file with the SEC pursuant to Regulation 14A.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We incorporate the information this item requires by referring to the information under the caption **Proposal No. 2: Ratification of Appointment of Independent Registered Public Accounting Firm** in our 2019 Proxy Statement, which we will file with the SEC pursuant to Regulation 14A.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this 2018 Form 10-K:

Consolidated Financial Statements

In Part II, Item 8, we have included our consolidated financial statements, the notes thereto and the report of our Independent Registered Public Accounting Firm.

Financial Statement Schedules

We have omitted schedules required by applicable SEC accounting regulations because they are either not required under the related instructions, are inapplicable, or we present the required information in the financial statements or notes thereto.

Exhibits

We describe the exhibits filed as part of, or incorporated by reference into, this 2018 Form 10-K in the attached Exhibit Index.

EXHIBIT INDEX

		Incorporated Herein By Reference To		
Exhibit Number	**Description**	**Document**	**Filed On**	**Exhibit Number**
2.1 [1]	Agreement and Plan of Merger, dated as of May 2, 2014, by and among Remark Media, Inc. (n/k/a Remark Holdings, Inc.), Roomlia, Inc. and Hotelmobi Inc.	8-K	05/07/2014	2.1
2.2 [1]	Unit Purchase Agreement, dated August 18, 2015, by and among Remark Media, Inc. (n/k/a Remark Holdings, Inc.), Vegas.com, LLC and the sellers listed on the signature page thereto	8-K	08/20/2015	2.1
2.3 [1]	Second Amended and Restated Asset and Securities Purchase Agreement, dated as September 20, 2016, by and among China Branding Group Limited (in official liquidation), certain of its managers and subsidiaries listed on the signature page thereto, the joint official liquidators, KanKan Limited and Remark Media, Inc. (n/k/a Remark Holdings, Inc.)	8-K	09/26/2016	2.1
2.4 [1]	Membership Interest Purchase Agreement, dated as of March 15, 2019, by and between VDC-MGG Holdings LLC and Remark Holdings, Inc.	8-K	03/19/2019	2.1
3.1	Amended and Restated Certificate of Incorporation	8-K	12/30/2014	3.1
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation	8-K	01/12/2016	3.1

Exhibit Number	Description	Incorporated Herein By Reference To		
		Document	Filed On	Exhibit Number
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation	8-K	06/08/2016	3.1
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation	8-K	04/11/2017	3.1
3.5	Certificate of Designation of Series A Junior Participating Preferred Stock of Remark Media, Inc. (n/k/a Remark Holdings, Inc.)	8-K	06/04/2015	3.1
3.6	Amended and Restated Bylaws	8-K	02/13/2015	3.1
4.1	Specimen certificate of common stock of Remark Media, Inc. (n/k/a Remark Holdings, Inc.)	10-K	03/23/2012	4.1
4.2	Form of Roomlia Warrants	8-K	05/07/2014	4.1
4.3	Registration Rights Agreement dated as of September 24, 2015 by and between Remark Media, Inc. (n/k/a Remark Holdings, Inc.) and the Subscribers listed on the signature page thereto.	8-K	09/28/2015	10.4
4.4	Form of CBG Acquisition Warrant	8-K	09/26/2016	4.1
4.5	Form of CBG Financing Warrant	8-K	09/26/2016	4.2
4.6	Registration Rights Agreement, dated as of July 2, 2018, by and between Remark Holdings, Inc. and Aspire Capital Fund, LLC.	8-K	07/03/2018	4.1
10.1	Membership Interest Purchase Agreement between Remark Media, Inc. (n/k/a Remark Holdings, Inc.), Pop Factory LLC, Howard Sonnenschein and Gail Sonnenschein dated March 29, 2013	8-K	04/04/2013	2.1
10.2 [2]	2010 Equity Incentive Plan	8-K	06/21/2010	10.34
10.3 [2]	2014 Incentive Plan, as amended January 11, 2016	8-K	01/12/2016	10.1
10.4 [2]	2017 Incentive Plan	8-K	01/24/2018	10.1
10.5 [2]	Form of Subscription Agreement, dated July 9, 2015	8-K	07/13/2015	10.1
10.6	Letter Agreement dated September 24, 2015 by and among Remark Media, Inc. (n/k/a Remark Holdings, Inc.), Vegas.com, LLC, and James B. Gibson in his capacity as Seller Representative	8-K	09/28/2015	10.1
10.7	Financing Agreement dated as of September 24, 2015 by and among Remark Media, Inc. (n/k/a Remark Holdings, Inc.) and certain of its subsidiaries named as Borrowers and Guarantors, the Lenders and MGG Investment Group LP, as Collateral Agent and Administrative Agent for the Lenders	8-K	09/28/2015	10.2
10.8	Amendment No. 1 to Financing Agreement, dated as of September 20, 2016, by and among Remark Media, Inc. (n/k/a Remark Holdings, Inc.) and certain of its subsidiaries named as Borrowers and Guarantors, the Lenders and MGG Investment Group LP, as Collateral Agent and Administrative Agent for the Lenders	8-K	09/26/2016	10.1

Exhibit Number	Description	Incorporated Herein By Reference To Document	Filed On	Exhibit Number
10.9	Amendment No. 2 to Financing Agreement, dated October 25, 2017, by and among Remark Holdings, Inc. and certain of its subsidiaries names as Borrowers and Guarantors, the Lenders and MGG Investment Group, LP, as Collateral Agent and Administrative Agent for the Lenders.	8-K	10/25/2017	10.1
10.10	Amendment No 3 to Financing Agreement, dated as of December 5, 2017, by and among Remark Holdings, Inc. and certain of its subsidiaries named as Borrowers and Guarantors, the Lenders and MGG Investment Group, LP, as Collateral Agent and Administrative Agent for the Lenders	8-K	12/05/2017	10.1
10.11	Amendment No. 4 and Waiver to Financing Agreement, dated as of April 30, 2018, by and among Remark Holdings, Inc. and certain of its subsidiaries named as Borrowers and Guarantors, the Lenders and MGG Investment Group LP, as Collateral Agent and Administrative Agent for the Lenders.	8-K	05/02/2018	10.1
10.12	Amendment No. 5 and Waiver to Financing Agreement, dated as of June 29, 2018, by and among Remark Holdings, Inc. and certain of its subsidiaries named as Borrowers and Guarantors, the Lenders and MGG Investment Group LP, as Collateral Agent and Administrative Agent for the Lenders.	8-K	07/03/2018	10.1
10.13	Security and Pledge Agreement dated as of September 24, 2015 by and among Remark Media, Inc. (n/k/a Remark Holdings, Inc.) and certain of its subsidiaries named as Borrowers and Guarantors, for the benefit of MGG Investment Group LP, as Collateral Agent for the Secured Parties referred to therein	8-K	09/28/2015	10.3
10.14	Loan Agreement dated as of September 24, 2015 by and between Vegas.com, LLC and Bank of America, N.A.	8-K	09/28/2015	10.5
10.15	Registration Rights Agreement dated as of September 20, 2016, by and between Remark Media, Inc. (n/k/a Remark Holdings, Inc.) and the Subscribers listed on the signature page thereto	8-K	09/26/2016	10.2
10.16	Common Stock Purchase Agreement, dated as of July 2, 2018, by and between Remark Holdings, Inc. and Aspire Capital Fund, LLC.	8-K	07/03/2018	10.2
21.1	List of subsidiaries			
23.1	Consent of Cherry Bekaert LLP			
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002			
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002			
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002			
101.INS	XBRL Instance Document			
101.SCH	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document			

Exhibit Number	Description	Incorporated Herein By Reference To		
		Document	Filed On	Exhibit Number
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

1. We have omitted certain schedules and exhibits to these agreements in accordance with item 601(b)(2) of Regulation S-K. We will furnish a copy of any omitted schedule and/or exhibit to the SEC upon request.

2. Management Contract or Compensation Plan or Arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

REMARK HOLDINGS, INC.

Date: April 1, 2019

By: */s/ Alison Davidson*
Alison Davidson
Interim Chief Financial Officer
(principal financial officer)

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

Name	Title	Date
/s/ Kai-Shing Tao Kai-Shing Tao	Chief Executive Officer and Chairman (principal executive officer)	April 1, 2019
/s/ Alison Davidson Alison Davidson	Interim Chief Financial Officer (principal financial and accounting officer)	April 1, 2019
/s/ Theodore Botts Theodore Botts	Director	April 1, 2019
/s/ Brett Ratner Brett Ratner	Director	April 1, 2019
/s/ William Grounds William Grounds	Director	April 1, 2019
/s/ Daniel Stein Daniel Stein	Director	April 1, 2019

FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and
Stockholders of Remark Holdings, Inc.

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Remark Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated April 1, 2019, expressed an adverse opinion.

Going Concern Uncertainty
The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and negative cash flows from operating activities and has a negative working capital and a stockholders' deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Cherry Bekaert LLP

We have served as the Company's auditor since 2011.

Atlanta, Georgia
April 1, 2019

REMARK HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(dollars in thousands, except par values)

	December 31,	
	2018	2017
Assets		
Cash and cash equivalents	$ 14,410	$ 22,632
Restricted cash	11,138	11,670
Trade accounts receivable, net	6,369	3,673
Prepaid expense and other current assets	12,128	5,518
Notes receivable, current	100	290
Total current assets	44,145	43,783
Notes receivable	—	100
Property and equipment, net	10,570	13,387
Investments in unconsolidated affiliates	2,005	1,030
Intangibles, net	17,930	23,946
Goodwill	18,514	20,099
Other long-term assets	644	1,192
Total assets	$ 93,808	$ 103,537
Liabilities and Stockholders' Equity		
Accounts payable	$ 30,876	$ 17,857
Accrued expense and other current liabilities	24,664	18,795
Deferred merchant booking	4,664	9,027
Contract Liability	4,063	3,691
Note payable	3,000	3,000
Current maturities of long-term debt, net of unamortized discount and debt issuance cost	35,314	38,085
Total current liabilities	102,581	90,455
Warrant liability	1,383	89,169
Other liabilities	2,968	3,501
Total liabilities	106,932	183,125
Commitments and contingencies (Note 13)		
Preferred stock, $0.001 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized; 39,053,312 and 28,406,026 shares issued and outstanding; each at December 31, 2018 and 2017, respectively	39	28
Additional paid-in-capital	308,018	220,117
Accumulated other comprehensive loss	32	115
Accumulated deficit	(321,213)	(299,848)
Total stockholders' equity (deficit)	(13,124)	(79,588)
Total liabilities and stockholders' equity	$ 93,808	$ 103,537

See Notes to Consolidated Financial Statements

REMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

(dollars in thousands, except per share amounts)

	Year Ended December 31,	
	2018	2017
Revenue, net	$ 79,110	$ 70,601
Cost and expense		
Cost of revenue (excluding depreciation and amortization)	24,628	16,909
Sales and marketing [1]	38,391	33,252
Technology and development [1]	13,332	11,642
General and administrative [1]	33,344	19,391
Depreciation and amortization	10,875	11,070
Impairments	2,209	14,646
Other operating expense [1]	1,084	1,070
Total cost and expense	123,863	107,980
Operating loss	(44,753)	(37,379)
Other income (expense)		
Interest expense	(6,491)	(4,645)
Other income, net	282	23
Change in fair value of warrant liability	27,879	(64,139)
Other gain (loss)	858	(317)
Total other income (expense), net	22,528	(69,078)
Loss before income taxes	(22,225)	(106,457)
Benefit from (provision for) income taxes	667	(278)
Net loss	$ (21,558)	$ (106,735)
Other comprehensive income (loss)		
Foreign currency translation adjustments	(83)	131
Comprehensive loss	$ (21,641)	$ (106,604)
Weighted-average shares outstanding, basic and diluted	34,545	23,763
Net loss per share, basic and diluted	$ (0.62)	$ (4.49)
[1] Includes share-based compensation as follows:		
Sales and marketing	$ 129	$ —
Technology and development	(280)	716
General and administrative	13,098	3,504
Other operating expense	$ 1	$ —

See Notes to Consolidated Financial Statements

REMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity (Deficit)

(in thousands, except number of shares)

	Common Stock					
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2016	22,232,004	$ 22	$ 190,507	$ (16)	$ (193,113)	$ (2,600)
Net loss	—	—		—	(106,735)	(106,735)
Share-based compensation	—	—	3,618	—	—	3,618
Common stock sales	5,758,996	6	24,154	—	—	24,160
Equity instrument exercises	378,516	—	1,750	—	—	1,750
Debt instrument conversion	39,010	—	174	—	—	174
Restricted stock forfeiture	(2,500)	—	—	—	—	—
Reclassification of liability-classified stock-based compensation	—	—	(114)	—	—	(114)
Other	—	—	28	131	—	159
Balance at December 31, 2017	28,406,026	$ 28	$ 220,117	$ 115	$ (299,848)	$ (79,588)
Net loss	—	—	—	—	(21,558)	(21,558)
Effect of adopting of new revenue recognition policy	—	—	—	—	193	193
Share-based compensation	—	—	13,494	—	—	13,494
Common stock sales	5,893,428	6	13,562	—	—	13,568
Equity instrument exercises	4,753,858	5	60,887	—	—	60,892
Reclassification of liability-classified stock-based compensation	—	—	(12)	—	—	(12)
Other	—	—	(30)	(83)	—	(113)
Balance at December 31, 2018	39,053,312	$ 39	$ 308,018	$ 32	$ (321,213)	$ (13,124)

See Notes to Consolidated Financial Statements

REMARK HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(dollars in thousands)

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	$ (21,558)	$ (106,735)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of warrant liability	(27,879)	64,139
Depreciation and amortization	10,875	11,070
Share-based compensation	12,948	4,220
Amortization of debt issuance costs and discount	1,005	261
Deferred taxes	527	8
Loss (gain) on disposal of long-lived assets	(922)	82
Loss on impairment of intangible assets, including goodwill	2,209	14,618
Other	162	243
Changes in operating assets and liabilities:		
Accounts receivable	(3,051)	(2,283)
Prepaid expense and other assets	(5,813)	(1,781)
Accounts payable, accrued expense and other liabilities	18,985	5,379
Deferred merchant booking	(4,363)	2,036
Contract liability	669	228
Net cash used in operating activities	$ (16,206)	$ (8,515)
Cash flows from investing activities:		
Proceeds from asset dispositions	1,140	123
Purchases of property, equipment and software	(1,478)	(1,171)
Payment of payroll costs capitalized to software in progress	(1,607)	(2,427)
Purchase of equity in unconsolidated affiliate	(480)	—
Other	—	(29)
Net cash used in investing activities	(2,425)	(3,504)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	14,553	25,910
Proceeds from debt issuance	—	3,000
Payment of debt issuance cost	(1,526)	(18)
Repayments of debt	(2,250)	—
Payment of contingent consideration related to business acquisitions	(900)	(940)
Payments of capital lease obligations	—	(179)
Net cash provided by financing activities	9,877	27,773
Net increase (decrease) in cash, cash equivalents and restricted cash	(8,754)	15,754
Cash, cash equivalents and restricted cash:		
Beginning of period	34,302	18,548
End of period	$ 25,548	$ 34,302
Supplemental cash flow information:		
Cash paid for interest	$ 4,273	$ 4,060
Cash paid for income taxes	$ 233	$ —
Supplemental schedule of non-cash investing and financing activities:		
Issuance of common stock	$ 59,907	$ —
Issuance of common stock upon conversion of debt instruments	$ —	$ 174
Common stock subscription payable to unconsolidated affiliate	$ 520	$ —

See Notes to Consolidated Financial Statements

NOTE 1. ORGANIZATION AND BUSINESS

Organization and Business

Remark Holdings, Inc. and subsidiaries ("Remark", "we", "us", or "our"), which include its consolidated variable-interest entities ("VIEs"), are primarily technology-focused. Our KanKan data intelligence platform serves as the basis for our development and deployment of artificial-intelligence-based ("AI-based") solutions for businesses in many industries and geographies. We also own and operate digital media properties across multiple verticals, such as travel and entertainment and young adult lifestyle, that deliver relevant, dynamic content and e-commerce solutions. Our common stock is listed on the Nasdaq Capital Market under the ticker symbol MARK.

We recognize revenue primarily from the following sources:

- sales of a full range of travel and entertainment products including lodging, air travel, air travel/lodging packages, show tickets and tours
- sales of financial-technology products and services from our KanKan business
- sales of AI-based products and services from our KanKan business
- various advertising mechanisms associated with our websites

Going Concern

During the year ended December 31, 2018, and in each fiscal year since our inception, we have incurred net losses which have resulted in an accumulated deficit of $321.2 million as of December 31, 2018. Additionally, our operations have historically used more cash than they have provided. Net cash used in operating activities was $16.2 million during the year ended December 31, 2018. As of December 31, 2018, our cash and cash equivalents balance was $14.4 million, and we had a negative working capital balance of $58.4 million.

On July 2, 2018, we entered into a common stock purchase agreement (the "2018 Aspire Purchase Agreement") with Aspire Capital Fund, LLC ("Aspire Capital"), which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have the right to direct Aspire Capital to purchase up to an aggregate of $30.0 million of shares of our common stock over the 30-month term of the 2018 Aspire Purchase Agreement. The 2018 Aspire Purchase Agreement, which we describe in more detail in Note 14, terminated and replaced the common stock purchase agreement we had entered into with Aspire Capital on November 9, 2016 (the "2016 Aspire Purchase Agreement").

Concurrently with entering into the 2018 Aspire Purchase Agreement, we also entered into a registration rights agreement with Aspire Capital, in which we agreed to file with the Securities and Exchange Commission (the "SEC") one or more registration statements, as necessary, and to the extent permissible and subject to certain exceptions, to register under the Securities Act of 1933, as amended, the sale of the shares of our common stock that may be issued to Aspire Capital under the 2018 Aspire Purchase Agreement. We have filed with the SEC a prospectus supplement to our effective shelf Registration Statement on Form S-3 (File No. 333-225448) registering all of the shares of common stock that may be offered to Aspire Capital from time to time under the 2018 Aspire Purchase Agreement. As of December 31, 2018, Aspire Capital has purchased $10.0 million of shares of our common stock under the 2018 Aspire Purchase Agreement.

During the years ended December 31, 2018 and 2017, we issued a total of 5,893,428 and 5,629,661 shares of our common stock, respectively, to investors in exchange for approximately $13.6 million and $24.2 million in cash, respectively, including issuances to Aspire Capital of $10.0 million and $10.3 million, respectively. We also received cash from stock option exercises.

We are a party to a financing agreement dated as of September 24, 2015 (as amended, the "Financing Agreement") with certain of our subsidiaries as borrowers (together with Remark, the "Borrowers"), certain of our subsidiaries as guarantors (the "Guarantors"), the lenders from time to time party thereto (the "Lenders") and MGG Investment Group LP, in its capacity as collateral agent and administrative agent for the Lenders ("MGG"), pursuant to which the Lenders extended credit to the Borrowers consisting of a term loan in the aggregate principal amount of $35.5 million (the "Loan"). The terms of the

Financing Agreement, the amendments thereto, and related documents effective as of December 31, 2018 are described in Note 11, which also describes our ongoing events of default relating to our failure to make certain required payments under the Financing Agreement as well as certain other ongoing events of default. See Note 17 for information regarding new agreements with the Lenders.

Our history of recurring operating losses, working capital deficiencies and negative cash flows from operating activities, in conjunction with the ongoing events of default under the Financing Agreement, give rise to substantial doubt regarding our ability to continue as a going concern.

We intend to fund our future operations and meet our financial obligations through revenue growth in our Technology and Data Intelligence segment; however, we cannot provide assurance that revenue, income and cash flows generated from our businesses will be sufficient to sustain our operations in the long term (including but not limited to payment of the amounts required under the Financing Agreement). As a result, we are actively evaluating strategic alternatives including the potential sale of certain non-core assets, investment assets and operating businesses. However, we may need to obtain additional capital through equity financing or debt financing. Conditions in the debt and equity markets, as well as the volatility of investor sentiment regarding macroeconomic and microeconomic conditions, will play primary roles in determining whether we can successfully obtain additional capital. Additionally, pursuant to the Financing Agreement, we are subject to certain limitations on our ability and the ability of our subsidiaries to, among other things, incur additional debt and transfer, sell or otherwise dispose of assets, without the consent of the Lenders. We cannot be certain that we will be successful at raising additional capital.

A variety of factors, many of which are outside of our control, affect our cash flow; those factors include regulatory issues, competition, financial markets and other general business conditions. Based on financial projections, we believe that we will be able to meet our ongoing requirements for at least the next 12 months following this report (including the amounts required under the Financing Agreement, based on the current status of discussions with the Lenders regarding ongoing events of default) with existing cash, cash equivalents and cash resources, and based on the probable success of one or more of the following plans:

- monetize existing assets
- work with our creditors to modify existing arrangements or refinance our debt
- obtain additional capital through equity issuances, including but not limited to equity issuances to Aspire Capital under its existing purchase commitment (which equity issuances may dilute existing stockholders; see Note 17 for information regarding subsequent events)

However, projections are inherently uncertain and the success of our plans is largely outside of our control. As a result, there is substantial doubt regarding our ability to continue as a going concern, and we may fully utilize our cash resources prior to April 1, 2020.

Comparability

We have reclassified certain amounts in our December 31, 2017 consolidated financial statements to conform to the current presentation as of December 31, 2018. Specifically, we have changed how we present operating expense to better reflect the activities that generate such expense, and we have reclassified liabilities associated with gift cards and similar items from contract liability to other current liabilities as we continue to clarify our disclosures related to the newly-adopted revenue standard. Neither total stockholders' deficit as of December 31, 2017 nor net loss or cash flows for the year ended December 31, 2017 changed because of the reclassifications.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

We include all of our subsidiaries, which include four VIEs for which we are the primary beneficiary, in our consolidated financial statements, eliminating all significant intercompany balances and transactions during consolidation.

To comply with China's laws which restrict foreign ownership of entities that operate within industries deemed sensitive by the Chinese government, we employ what we believe is a commonly-used organizational structure consisting of a wholly-foreign owned enterprise ("WFOE") and the VIEs to operate our KanKan business. We own 100% of the equity of the WFOE, while the VIEs are companies formed in China under local laws which are owned by members of our management team. We funded the registered capital and operating expenses of the VIEs by extending loans to the VIEs' owners. We believe that we are the primary beneficiary of the VIEs because the equity holders of such entities do not have significant equity at risk and because we have been able to direct the operations of the VIEs.

We use the cost method to account for equity investments in which we cannot exercise significant influence over the investee, such as with our investment in Sharecare, and the equity method for equity investments in which we can exercise significant influence over the investee, such as our investment in Beijing All-in-one Cloud Net Technology, Co. Ltd. ("AIO") (see Note 6 for information on our investments in unconsolidated affiliates).

Use of Estimates

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). While preparing our financial statements, we make estimates and assumptions that affect amounts reported and disclosed in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates. On an ongoing basis, we evaluate our estimates, including those related to accounts receivable, intangible assets, the useful lives of property and equipment, stock-based compensation, the fair value of the warrant liability, income taxes, inventory reserve and purchase price allocation, among other items.

Revenue Recognition

On January 1, 2018, we adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments (collectively "ASC 606") using the modified retrospective method. We recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of Accumulated deficit of approximately $0.2 million. We have not retrospectively adjusted the information for the comparative period reported herein, which information we continue to report under the accounting standards in effect for that period. The amounts of revenue, accounts receivable and contract liability that we reported under ASC 606 as of and for the year ended December 31, 2018, were not materially different than the amounts we would have reported under the accounting standards previously in effect; however, the amount of deferred merchant booking reported as of the year ended December 31, 2018 would have been $0.9 million more if reported under the accounting standards previously in effect.

We recognize revenue when we transfer control of the promised goods or services to our customers, and we recognize an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. If there is uncertainty related to the timing of collections from our customer, which may be the case if our customer is not the ultimate end user of our goods, we consider this to be uncertainty of the customer's ability and intention to pay us when consideration is due in accordance with ASC 606. Accordingly, we recognize revenue only when we have transferred control of the goods or services and consideration received from the customer is nonrefundable.

When customers pay us prior to when we satisfy our obligation to transfer control of promised goods or services, we record the amount that reflects the consideration to which we expect to be entitled as a contract liability until such time as we satisfy our performance obligation. As a result of our adoption of ASC 606, the line item previously labeled "Deferred revenue" on our Consolidated Balance Sheets is now labeled "Contract liability"; the comparative period balance as reported herein did not change as a result of our application of the modified retrospective transition approach.

For our contracts with customers, we only extend short-term credit policies to our customers, typically 30 days or less for our Travel & Entertainment segment and up to one year for large-scale projects delivered by our Technology and Data Intelligence segment.

We record the incremental costs of obtaining contracts as an expense when incurred, because such costs would otherwise be amortized over a period of less than one year if capitalized.

Transaction Services

Our Travel & Entertainment segment generates our transaction services revenue, most of which results from the use of the merchant model under which we remain the merchant of record, but various service providers with whom we maintain relationships are ultimately responsible for delivering the underlying services for which our customers transact, such as lodging, air travel, entertainment, or tours. Our obligation to our customers is to arrange for these service providers to provide the underlying services, and we satisfy our obligation at the point in time that these service providers begin to provide the underlying service (e.g., upon the check-in date for lodging stays, upon the show/performance date for entertainment transactions, etc.). Though we are the merchant of record for transactions in which other entities provide the ultimate service, under current accounting guidance we are an agent in such transactions; therefore, we recognize revenue from transactions under the merchant model on a net basis (i.e., the amount we bill to our customers less the amounts we pay to the service providers).

To a lesser extent, we provide tour services directly to our customers. Our obligation to provide such services is satisfied at the point in time that we finish providing the tour, and we recognize the resulting revenue on a gross basis when our obligation is satisfied.

Our customers pay at the time the original transaction occurs via our sales channels, primarily the Vegas.com website and mobile application. Because the original transaction date almost always precedes the date that our performance obligation is satisfied, we record a Contract liability for the amount of consideration received (net of amounts owed to suppliers, which are recorded in deferred merchant bookings until the service date has passed). In general, we satisfy most of our performance obligations within approximately three to four months from the original transaction date, and substantially all performance obligations are satisfied within one year from the original transaction date.

Data Platform Services

Our KanKan business generates our data platform services revenue. One of the business's product offerings involves utilizing our proprietary data intelligence software to provide high-quality loan candidates to our customers, which are companies that help to market the loan products of banks and other lending institutions in China to potential loan candidates. We earn a commission for this service, which is deemed earned and is recognized at the point in time at which the related loan is issued to the candidate by a lending institution supporting the loan product being promoted by our customer. The amount of commission we recognize is determined by multiplying the commission rate specified in the applicable contract by the amount of the loan issued to the candidate.

Under contracts with two of our customers, we are required to reimburse those customers for as much as 10% of the commissions paid under the contract if the total amount of the defaults across all of the loans issued and outstanding with respect to such contract exceeds an established threshold (the "Reimbursement Obligation"). Such contracts also require us to maintain a cash deposit with those customers to support the Reimbursement Obligation, and they permit the customer to deduct the required amount of any reimbursement from such deposit. We no longer provide new candidates to those customers under those particular contracts, and none of our remaining contracts related to providing loan candidates to customers include the Reimbursement Obligation or similar terms, so the maximum amount of our liability with respect to the Reimbursement Obligation as of December 31, 2018 and going forward is $0.5 million, Further, as of December 31, 2018, the amount we have on deposit with the customers under those contracts to support the Reimbursement Obligation exceeds such maximum liability with respect to the Reimbursement Obligation, and we have not reimbursed any customer any amount of commissions paid under these contracts, nor are we required to do so because the total amount of the defaults has not exceeded the established threshold.

We have determined that the Reimbursement Obligation does not fall within the scope of ASC 606 and that we should account for it as a guarantee for accounting purposes using other GAAP. We recorded an initial liability, reported in Accrued expense and other current liabilities in our Consolidated Balance Sheets, equal to our maximum potential Reimbursement Obligation, an amount which approximated fair value. As we are released from an amount of the Reimbursement Obligation, we record the amount of reduction in the Reimbursement Obligation as data platform services revenue. We have not recorded material amounts of revenue resulting from being released from the Reimbursement Obligation.

We also generate revenue by developing fully-integrated AI solutions which combine our proprietary technology with third-party hardware and software products to meet end-user specifications. Under one type of contract for our AI solutions, we provide a single, continuous service to clients who control the assets as we create them. Accordingly, we recognize the revenue over the period of time during which we provide the service. Under another type of contract, we have one performance obligation to provide a fully-integrated AI solution to our customer and we recognize revenue at the point in time when the completed solution is delivered to, tested by and accepted by our customer.

Advertising and Other

Our Travel & Entertainment segment generates the majority of our advertising revenue, and we report the remaining amount of advertising revenue in Corporate Entity and Other in our segment information. We primarily generate advertising revenue from the use of sponsored links and display advertising placed directly on our website pages. Substantially all of our advertising contracts with customers are completed within one year or less.

In click-through advertising contracts with customers, our obligation is to place our customers' interactive ads on our websites for a specified period of time. We recognize revenue from click-through advertising at the point in time at which visitors to our websites click through the ads to our advertising customers' websites. Any variability regarding contract consideration is resolved within the reporting period.

Some of our advertising contracts with customers require us to place our advertising customers' static display ads on our websites for a specified period of time or in a specific location on our websites, or both. We recognize revenue from such advertising placement arrangements either over time (ratably over the contract term) or based upon the delivery of advertising impressions, depending upon the terms of the contract.

We also generate revenue from other sources, such as from e-commerce activity in which we sell goods to our customers, or media production which involves us producing video or Internet-based content for our customers. We recognize the revenue from these contracts at the point in time when we transfer control of the good sold to the customer or when we deliver the promised media content.

Share-Based Compensation

For grants of restricted stock or restricted stock units, we measure fair value using the closing price of our stock on the measurement date, while we use the Black-Scholes-Merton option pricing model (the "BSM Model") to estimate the fair value of stock options and similar instruments awarded.

The BSM Model requires the following inputs:

- **Expected volatility of our stock price.** We analyze the historical volatility of our stock price utilizing daily stock price returns, and we also review the stock price volatility of certain peers. Using the information developed from such analysis and our judgment, we estimate how volatile our stock price will be over the period we expect the stock options will remain outstanding.

- **Risk-free interest rate.** We estimate the risk-free interest rate using data from the Federal Reserve Treasury Constant Maturity Instruments H.15 Release (a table of rates downloaded from the Federal Reserve website) as of the valuation date for a security with a remaining term that approximates the period over which we expect the stock options will remain outstanding.

- **Stock price, exercise price and expected term.** We use an estimate of the fair value of our common stock on the measurement date, the exercise price of the option, and the period over which we expect the stock options will remain outstanding.

We measure compensation expense as of the grant date for granted equity-classified instruments and as of the settlement date for granted liability-classified instruments (meaning that we re-measure compensation expense at each balance sheet date until the settlement date occurs).

Once we measure compensation expense, we recognize it over the requisite service period (generally the vesting period) of the grant, net of forfeitures as they occur.

Concentrations of Credit Risk

We maintain most of our cash, approximately 98% of which is denominated in U.S. dollars, at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000; however, at times, cash balances may exceed the FDIC-insured limit. As of December 31, 2018, we do not believe we have any significant concentrations of credit risk, although approximately $24.3 million of our cash balance, including restricted cash, exceeded the FDIC-insured limit. Cash held by our non-U.S. subsidiaries is subject to foreign currency fluctuations against the U.S. dollar, although such risk is somewhat mitigated because we transfer U.S. funds to China to fund local operations. If, however, the U.S. dollar is devalued significantly against the Chinese currency, our cost to further develop our business in China could exceed original estimates.

Accounts Receivable

We regularly evaluate the collectability of trade receivable balances based on a combination of factors such as customer credit-worthiness, past transaction history with the customer, current economic industry trends and changes in customer payment patterns. If we determine that a customer will be unable to fully meet its financial obligation, such as in the case of a bankruptcy filing or other material events impacting its business, a specific reserve for bad debt will be recorded to reduce the related receivable to the amount expected to be recovered. We did not record a material amount of allowance for bad debt during 2018 or 2017.

Cash and Cash Equivalents

Our cash and cash equivalents include demand deposits with financial institutions and short-term, highly-liquid instruments with original maturities of three months or less when purchased. The carrying value of the deposits and instruments approximates their fair value due to their short-term maturities.

Income Taxes

We recognize deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") to account for the effects of temporary differences between the tax basis of an asset or liability and its amount as reported in our consolidated balance sheets, using enacted tax rates expected to apply to taxable income in the years in which we expect those temporary differences to be recovered or settled. Any effect on DTAs or DTLs resulting from a change in enacted tax rates is included in income during the period that includes the enactment date.

We reduce the carrying amounts of DTAs by a valuation allowance if, based upon all available evidence (both positive and negative), we determine that it is more likely than not that such DTAs will not be realizable. Such assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, our forecasts of future profitability, tax planning strategies, the duration of statutory carryforward periods, and our experience with the utilization of operating loss and tax credit carryforwards before expiration.

We apply a recognition threshold and measurement attribute related to uncertain tax positions taken or expected to be taken on our tax returns. We recognize a tax benefit for financial reporting of an uncertain income tax position when it has a greater than 50% likelihood of being sustained upon examination by the taxing authorities. We measure the tax benefit of an uncertain tax position based on the largest benefit that has a greater than 50% likelihood of being ultimately realized, including evaluation of settlements.

Inventory

We use the first-in first-out method to determine the cost of our inventory, then we report inventory at the lower of cost or net realizable value in the line item Prepaid expense and other current assets.

Property, Equipment and Software

We state property and equipment at cost and depreciate such assets using the straight-line method over the estimated useful lives of each asset category. For leasehold improvements, we determine amortization using the straight-line method over the shorter of the lease term or estimated useful life of the asset. We expense repairs and maintenance costs as incurred, while capitalizing betterments and capital improvements and depreciating such costs over the remaining useful life of the related asset.

We capitalize qualifying costs of computer software and website development that we incur during the application development stage, as well as the cost of upgrades and enhancements that result in additional functionality, and we amortize such costs using the straight-line method over a period of three years, the expected period of the benefit.

Commitments and Contingencies

We record a liability for a loss contingency when we determine that it is probable that we have incurred such liability and we can reasonably estimate the amount.

Impairments

Long-Lived Assets Other Than Indefinite-Lived Intangible Assets

When events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, we evaluate long-lived assets for potential impairment, basing our testing method upon whether the assets are held for sale or held for use. For assets classified as held for sale, we recognize the asset at the lower of carrying value or fair market value less costs of disposal, as estimated based on comparable asset sales, offers received, or a discounted cash flow model. For assets held and used, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying value of the asset, we recognize an impairment loss for the difference between the carrying value of the asset and its fair value.

During 2018 and 2017, we recorded impairment losses on certain definite-lived intangible assets (see Note 9).

Goodwill and Indefinite-Lived Intangible Assets

In the fourth quarter of each fiscal year, we test goodwill and indefinite-lived intangible assets for impairment. When testing for impairment, we first evaluate qualitative factors to determine whether events and circumstances indicate that, more likely than not, an indefinite-lived intangible asset is impaired. If, after evaluating the totality of events and circumstances and their potential effect on significant inputs to the fair value determination, we determine that, more likely than not, an indefinite-lived intangible asset is impaired, we then quantitatively test for impairment.

During 2018 and 2017, we recorded impairments of goodwill (see Note 9). During 2017, we also record an impairment related to indefinite-lived intangible assets.

Investment

We routinely perform an assessment of our investments in Sharecare, Inc. ("Sharecare") and in AIO to determine if they are other-than-temporarily impaired. An investment is impaired when the fair value of the investment declines to an amount less than the cost or amortized cost of that investment. As part of our assessment process, we determine whether the impairment is temporary or other-than-temporary. We base our assessment on both quantitative criteria and qualitative information, considering a number of factors including, but not limited to how long the security has been impaired, the amount of the impairment, the financial condition and near-term prospects of the issuer, whether the issuer is current on contractually-obligated interest and principal payments, key corporate events pertaining to the issuer and whether the market decline was affected by macroeconomic conditions.

If we determine that an investment has incurred an other-than-temporary impairment, we permanently reduce the cost of the security to fair value and recognize an impairment charge in our consolidated statements of operations.

During 2018 or 2017, we did not record any impairment of our investments.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an exit price). When reporting the fair values of our financial instruments, we prioritize those fair value measurements into one of three levels based on the nature of the inputs, as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets and liabilities;
- Level 2 – Valuations based on observable inputs that do not meet the criteria for Level 1, including quoted prices in inactive markets and observable market data for similar, but not identical instruments; and
- Level 3 – Valuations based on unobservable inputs, which are based upon the best available information when external market data is limited or unavailable.

The fair value hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. For some products or in certain market conditions, observable inputs may not be available.

Liabilities Related to Warrants Issued

We record certain common stock warrants we issued (see Note 4 for more detailed information) at fair value and recognize the change in the fair value of such warrants as a gain or loss which we report in the Other income (expense) section in our consolidated statement of operations. We report some of the warrants that we record at fair value as liabilities because they contain certain provisions allowing for reduction of their exercise price, while others are recorded as liabilities because they contain a conditional promise to issue a variable number of our common stock shares upon the warrants' expiration, and the monetary amount of such obligation was fixed at the inception of the contract. We estimate the fair value of the warrants using the Monte Carlo Simulation method.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, Leases (Topic 842), which changes GAAP primarily by requiring lessees to recognize, at lease commencement, a lease liability representing the present value of the lessee's obligation to make lease payments, and a right-of-use asset representing the lessee's right to use (or control the use of) a specified asset during the lease term, for leases classified as operating leases. For us, the amendments in ASU 2016-02 will become effective on January 1, 2019. We are designing appropriate internal controls and modifying key processes to allow for the implementation of ASU 2016-02, which we anticipate will have a material impact on our balance sheet, as we will be recording right-of-use assets and lease liabilities related to our operating leases, including our leases for office space. We do not anticipate that application of ASU 2016-02 will have a material impact on our statement of operations or cash flows. See Note 13 for information regarding our lease commitments.

We have reviewed all recently issued accounting pronouncements. The pronouncements that we have already adopted did not have a material effect on our financial condition, results of operations, cash flows or reporting thereof, and except as otherwise noted above, we do not believe that any of the pronouncements that we have not yet adopted will have a material effect upon our financial condition, results of operations, cash flows or reporting thereof.

NOTE 3. REVENUE

We are not required to include disclosures related to remaining performance obligations because substantially all of our contracts with customers have an original expected duration of one year or less.

Disaggregation of Revenue

The following table presents a disaggregation of our revenue by major category for the year ended December 31, 2018 (in thousands):

Revenue category	Year Ended December 31, 2018
Transaction services	$ 64,863
Data platform services	8,030
Advertising and other	6,217
Revenue	$ 79,110

Significant Judgments

When accounting for revenue in accordance with ASC 606, we make certain judgments, such as whether we act as a principal or as an agent in transactions or whether our contracts with customers fall within the scope of ASC 606, that affect the determination of the amount and timing of our revenue from contracts with customers. Based on the current facts and circumstances related to our contracts with customers, none of the judgments we make involve an elevated degree of qualitative significance or complexity such that further disclosure is warranted in terms of their potential impact on the amount and timing of our revenue.

Contract Assets and Contract Liabilities

We do not currently generate material contract assets. Other than changes resulting from routine business activity, the balance of our Contract liability did not change significantly during the year ended December 31, 2018. We recognized revenue of $3.1 million during the year ended December 31, 2018, which was included in the beginning balance of Contract liability at January 1, 2018.

Certain Agreements in the Technology and Data Intelligence Segment

We completed two fully-integrated AI solutions in December 2018 for which we have fully performed under the agreement and title to the product passed to our customer, so we have recognized cost of revenue of $4.0 million; however, we have not recognized the $4.6 million of revenue from such projects due to uncertainty regarding the timing of collection of amounts payable to us under the agreement. The uncertainty regarding the timing of collection prevents us from determining that collectibility of all amounts payable to us under the agreements is probable, resulting in a timing difference between recognition of cost and recognition of revenue. Though we cannot recognize the revenue until collectibility is deemed probable, we expect to fully collect the amounts payable to us under our legally-enforceable agreements and, therefore, we recorded a receivable of $4.6 million in Prepaid expense and other current assets, and a liability in Accrued expense and other current liabilities on our 2018 Consolidated Balance Sheet.

NOTE 4. FAIR VALUE MEASUREMENTS

Liabilities Related to Warrants to Purchase Common Stock

At the end of each reporting period, we use the Monte Carlo Simulation model to estimate and report the fair value of liabilities related to certain outstanding warrants. As of December 31, 2018, our outstanding liability-classified warrants include the warrants we issued or that we are obligated to issue as part of the consideration for our acquisition (the "CBG Acquisition") of assets of China Branding Group Limited ("CBG") in September 2016 (the "CBG Acquisition Warrants") and warrants we issued as a result of an amendment to the Financing Agreement related to the acquisition (the "CBG Financing Warrants").

The following table presents the quantitative inputs, which we classify in Level 3 of the fair value hierarchy, used in estimating the fair value of the warrants:

	December 31,	
	2018	**2017**
CBG Financing Warrants		
Expected volatility	70.00%	60.00%
Risk-free interest rate	2.52%	1.96%
Expected remaining term (years)	1.73	2.73
CBG Acquisition Warrants		
Expected volatility	70.00%	60.00%
Risk-free interest rate	2.46%	2.25%
Expected remaining term (years)	4.72	5.72

During the fourth quarter of 2018, we increased the expected volatility we use as an input to the model. We made the change after reviewing our recent stock price performance and the historical stock price volatilities of our peer group, which led us to conclude that volatility over the expected period of the warrants would be higher than we had previously estimated. In addition to the quantitative assumptions above, we also consider whether we would issue additional equity and, if so, the price per share of such equity. At December 31, 2018, we estimated that one future equity financing event would potentially occur within the subsequent twelve months.

Our estimate of expected volatility and our stock price tend to have the most significant impact on the estimated fair value of the CBG Financing Warrants and the CBG Acquisition Warrants. If we added or subtracted five percentage points with regard to our estimate of expected volatility, or if our stock price increased or decreased by five percent, our estimates of fair value would change approximately as follows (in thousands):

Change in volatility	**Increase**	**Decrease**
CBG Financing Warrants	$ 65	$ (65)
CBG Acquisition Warrants	175	(230)
Change in stock price		
CBG Financing Warrants	$ 30	$ (30)
CBG Acquisition Warrants	115	(115)

The following table presents the change in the liability balance associated with our liability-classified warrants (in thousands):

	Year Ended December 31,	
	2018	2017
Balance at beginning of period	$ 89,169	$ 25,030
Warrant exercises	(59,907)	—
Increase (decrease) in fair value	(27,879)	64,139
Balance at end of period	$ 1,383	$ 89,169

At January 1, 2018, our outstanding liability-classified warrants included warrants we issued in connection with our acquisition of all of the outstanding equity interests in Vegas.com, LLC ("Vegas.com") in September 2015 (the "VDC Acquisition") and the financing related thereto (the "VDC Acquisition Warrants" and the "VDC Financing Warrants", respectively). On January 8, 2018, holders of VDC Acquisition Warrants with respect to 2,416,996 shares of our common stock exercised such warrants. Because the VDC Acquisition Warrants provided that such warrants were exercisable on a cashless basis only, we issued a total of 750,102 shares of common stock in settlement of such warrants without receiving any proceeds from the exercise thereof.

On January 10, 2018, we exercised our right to exercise all remaining VDC Acquisition Warrants and VDC Financing Warrants (which right became effective when the closing price of our common stock reached $14.00), exercising VDC Acquisition Warrants with respect to 6,184,414 shares of our common stock and VDC Financing Warrants with respect to 3,117,148 shares of our common stock. Because the VDC Acquisition Warrants and VDC Financing Warrants provided that such warrants were exercisable on a cashless basis only, we issued a total of 2,236,915 and 1,385,396 shares of common stock to the holders of the VDC Acquisition Warrants and the VDC Financing Warrants, respectively, in settlement of such warrants without receiving any proceeds from the exercise thereof.

Contingent Consideration Issued in Business Acquisition

We used the discounted cash flow valuation technique to estimate the fair value of the liability related to certain cash payments stipulated in the VDC Acquisition that were contingent upon the performance of Vegas.com in the years ended December 31, 2016 and 2017, and are contingent upon the performance of Vegas.com in the year ending December 31, 2018 (the "Earnout Payments"). The significant unobservable inputs that we used, which we classify in Level 3 of the fair value hierarchy, were projected earnings before interest, taxes, depreciation and amortization ("EBITDA"), the probability of achieving certain amounts of EBITDA, and the rate used to discount the liability.

The following table presents the change during the years ended December 31, 2018 and 2017 in the balance of the liability associated with the Earnout Payments (in thousands):

	December 31,	
	2018	2017
Balance at beginning of period	$ 1,930	$ 2,830
Payments	(1,000)	(1,000)
Change in fair value of contingent consideration	60	100
Balance at end of period	$ 990	$ 1,930

On the Consolidated Balance Sheets, we included the liability for contingent consideration as a component of Accrued expense and other liabilities.

NOTE 5. RESTRICTED CASH

Our restricted cash for the year ended December 31, 2018 relates to a Letter of Credit Facility Agreement between Vegas.com and Bank of America, N.A. to satisfy the requirements of several of the vendors for whom we sell products (hotel rooms, air travel, show tickets, et cetera) through our online outlets. By contract, certain vendors require letters of credit as a means of securing our payment to them of amounts related to the sales we make on their behalf. We renew the letter of credit facility annually in May, and the restrictions on the cash related to the letters of credit will remain to the extent we continue to enter into contracts requiring the security of letters of credit. In November 2018, we amended the Letter of Credit Facility Agreement to increase by $1.7 million the total amount of letters of credit we can issue, bringing the total amount of letters of credit issuable to $11.0 million.

The following table provides a reconciliation of the amounts separately reported as Cash and cash equivalents and Restricted cash on our consolidated balance sheets with the single line item reported on our consolidated statements of cash flows as Cash, cash equivalents and restricted cash (in thousands):

	December 31,	
	2018	2017
Cash and cash equivalents	$ 14,410	$ 22,632
Restricted cash reported in current assets	11,138	11,670
Total cash, cash equivalents and restricted cash	$ 25,548	$ 34,302

NOTE 6. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

In 2009, we co-founded a U.S.-based venture, Sharecare, to build a web-based platform that simplifies the search for health and wellness information. The other co-founders of Sharecare were Dr. Mehmet Oz, HARPO Productions, Discovery Communications, Jeff Arnold and Sony Pictures Television. As of December 31, 2018, we owned approximately five percent of Sharecare's issued capital stock and maintained representation on its Board of Directors.

During June 2018, one of our consolidated VIEs acquired a 20% interest in AIO, a Chinese technology company which provides consulting and data services to the Chinese film industry, in exchange for $1.0 million, a portion of which was paid by December 31, 2018, and a license to use our proprietary KanKan data intelligence platform in China. Based on our evaluation of the facts and circumstances related to the transaction, we determined that we will account for such transaction using the equity method of accounting. We recognize our equity in the net earnings or losses relating to AIO on a one-quarter reporting lag in our Consolidated Statements of Operations and Comprehensive Loss. For the year ended December 31, 2018, the amount of our equity in AIO's net earnings from the date we acquired our interest in AIO until September 30, 2018 was not material.

NOTE 7. PREPAID EXPENSE AND OTHER CURRENT ASSETS

The following table presents the components of prepaid expense and other current assets (in thousands):

	December 31,	
	2018	2017
Other receivables	$ 5,132	$ 1,281
Prepaid expense	2,747	2,036
Deposits	3,420	1,960
Inventory, net	587	234
Other current assets	242	7
Total	$ 12,128	$ 5,518

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands, except estimated lives):

	Estimated Life (Years)	December 31, 2018	December 31, 2017
Vehicles	5	$ 1,296	$ 447
Computers and equipment	2 - 12	1,989	1,635
Furniture and fixtures	2 - 9	155	220
Software	3 - 5	21,559	20,773
Software development in progress		2,139	1,935
Leasehold improvements	1 - 10	599	328
Total property, equipment and software		$ 27,737	$ 25,338
Less accumulated depreciation and amortization		(17,167)	(11,951)
Total property, equipment and software, net		$ 10,570	$ 13,387

For the year ended December 31, 2018 and 2017, depreciation (and amortization of software) expense was $5.7 million and $5.6 million, respectively.

NOTE 9. GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible Assets

The following table summarizes intangible assets by category (in thousands):

	December 31, 2018			December 31, 2017		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Finite-lived intangible assets						
Domain names	$ 1,411	$ (917)	$ 494	$ 2,591	$ (1,663)	$ 928
Customer relationships	23,186	(14,611)	8,575	23,486	(10,539)	12,947
Media content and broadcast rights	1,350	(923)	427	2,485	(936)	1,549
Acquired technology	436	(406)	30	578	(461)	117
Other intangible assets	68	(68)	—	68	(68)	—
	$ 26,451	$ (16,925)	$ 9,526	$ 29,208	$ (13,667)	$ 15,541
Indefinite-lived intangible assets						
Trademarks and trade names	$ 8,276		$ 8,276	$ 8,276		$ 8,276
License to operate in China	128		128	129		129
Total intangible assets	$ 34,855		$ 17,930	$ 37,613		$ 23,946

For the year ended December 31, 2018 and 2017, total amortization expense was $5.1 million and $5.5 million, respectively.

During the fourth quarter of 2017, we made certain decisions based upon information that came to our attention which led us to determine that certain of our intangible assets related to the CBG Acquisition were impaired, so we recognized a loss of approximately $5.8 million. More specifically, we decided that we would not rely on the customer base underlying our customer relationship intangible asset that we acquired in the CBG Acquisition and would therefore develop our own customer relationships, and that we would not renew the contracts underlying the media broadcast rights that we acquired in the CBG Acquisition. We also believe that certain of the other parties to the Second Amended and Restated Asset and Securities Purchase Agreement in the CBG Acquisition had fraudulently mispresented and concealed material information such that, among other consequences, the Fanstang tradename did not hold more than nominal value to us.

On October 24, 2017, we and Intersearch Tax Solutions, Inc. (“ITS”) entered into a quitclaim agreement (the “ITS Agreement”) under which we sold certain domain names and related rights and property to ITS. Pursuant to the ITS Agreement, in exchange for the assets we sold to ITS, we received $0.1 million in cash, $0.2 million in the form of a promissory note (the “ITS Note”), 25% of the amount of tax-extension related revenue generated by hyperlinks on our IRS.com website that link to the domain names ITS purchased from us, and 35% of the amount of gross profit in excess of $0.3 million generated by any of the properties ITS purchased from us.

The ITS Note will accrue interest at a rate of 5% per annum, compounded annually, with $0.1 million principal plus related accrued and unpaid interest due and payable on each of April 30, 2018 and April 30, 2019.

We recognized an immaterial loss on the sale, which we reported in Other loss on our 2017 Consolidated Statement of Operations and Comprehensive Loss.

During the fourth quarter of 2018, we decided that we would outsource video production to a third party for Remark Entertainment. As a result, we determined that the remaining intangible asset related to the CBG Acquisition was impaired based on revised cash flow estimates, so we recognized an impairment loss of approximately $0.6 million.

On December 18, 2018, we and Simply FinTech, Inc. ("Simply FinTech") entered into a quitclaim agreement (the "Simply FinTech Agreement") under which we sold the Banks.com domain name and related rights and property to Simply FinTech. Pursuant to the Simply FinTech Agreement, in exchange for the assets we sold to Simply FinTech, we received $0.5 million in cash. We recognized a gain of approximately $0.4 million on the sale, which we reported in Other loss on our 2018 Consolidated Statement of Operations and Comprehensive Loss. See Note 15 for details regarding the sale of the IRS.com web domain.

The following table presents the aggregate amortization expense related to finite-lived intangible assets for the next five years (in thousands):

For the year ending December 31:	Amount
2019	$ 4,749
2020	3,481
2021	299
2022	299
2023	299

Goodwill

The following table summarizes the changes in goodwill during the year ended December 31, 2018 and December 31, 2017 (in thousands):

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Travel and Entertainment Segment	Corporate Entity and Other Business Units	Total	Travel and Entertainment Segment	Corporate Entity and Other Business Units	Total
Balance at beginning of period	$ 18,514	$ 1,585	$ 20,099	$ 18,514	$ 8,249	$ 26,763
Business acquisitions	—	—	—	—	2,116	2,116
Impairment of goodwill	—	(1,585)	(1,585)	—	(8,796)	(8,796)
Other	—	—	—	—	16	16
Balance at end of period	$ 18,514	$ —	$ 18,514	$ 18,514	$ 1,585	$ 20,099

Our sale of substantially all of Banks.com's remaining assets during the fourth quarter of 2018 prompted us to record the impairment of goodwill noted in the table above, as we determined at that time that will not operate the Banks.com business in the future.

NOTE 10. INCOME TAX

The following table presents the components of our provision for income taxes for the year ended December 31, 2018, and 2017, in thousands:

	Year Ended December 31,	
	2018	2017
Current		
Foreign	$ (140)	$ 270
Deferred		
Federal	(527)	8
Income tax provision as reported	$ (667)	$ 278

The following table presents a reconciliation between the income tax benefit computed by applying the federal statutory rate and our actual income tax expense:

	Year Ended December 31,	
	2018	2017
Income tax benefit at federal statutory rate	$ (4,667)	$ (36,208)
Change in deferred tax asset valuation allowance	11,806	(18,998)
Tax reform	—	22,496
Tax impact of warrants	(5,855)	21,807
Tax effects of:		
Foreign tax rates different than U.S. federal statutory rate	(470)	(85)
Other permanent items	80	363
Deferred adjustments	(1,369)	11,505
Other	(192)	(602)
Income tax provision (benefit) as reported	$ (667)	$ 278

Our 2018 effective tax rate was impacted by maintaining a valuation allowance against domestic federal net deferred tax assets and a permanent tax adjustment related to the fair value of the outstanding warrants. Our 2017 effective tax rate was impacted by maintaining a valuation allowance against domestic federal net deferred tax assets as well as the permanent tax adjustment related to the fair value of the outstanding warrants. Our 2016 effective tax rate was impacted by the recording of a valuation allowance against domestic federal net deferred tax assets and certain permanent adjustments made for tax purposes.

The following table presents loss before income tax attributable to domestic and to foreign operations (in thousands):

	Year Ended December 31,	
	2018	2017
Domestic	$ (10,465)	$ (107,452)
Foreign	(11,760)	995
Loss before income taxes	$ (22,225)	$ (106,457)

Deferred Tax Assets and Liabilities

We assessed the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of existing DTAs. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2018. Such objective evidence limits our ability to consider other subjective evidence. On the basis of our evaluation, as of December 31, 2018, we continued to maintain the valuation allowance noted in the table below to recognize only the portion of the DTAs that, more likely than not, we can realize. The amount of the DTAs considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

The following table presents the components of our DTAs and DTLs (in thousands):

	December 31,	
	2018	2017
Deferred Tax Assets		
Net operating loss carryforwards	$ 36,090	$ 28,424
Deferred income and reserves	332	382
Amortization of intangibles	4,918	4,315
Share-based compensation expense	7,386	4,419
Differences related to stock basis in equity investment	—	233
Other	1,980	148
Gross deferred tax assets	$ 50,706	$ 37,921
Valuation allowance	(50,176)	(38,348)
Deferred tax assets, net of valuation allowance	$ 530	$ (427)
Deferred Tax Liabilities		
Depreciation of fixed assets	(744)	(314)
Gross deferred tax liabilities	(744)	(314)
Net deferred tax liability	$ (214)	$ (741)

Net operating losses available at December 31, 2018 to offset future taxable income in the U.S. federal, U.S. state, Hong Kong and China jurisdictions are $142.5 million, $31.7 million, $1.7 million and $10.1 million, respectively. The income tax rates in Hong Kong and China are 16.5% and 25%, respectively.

The U.S. net operating losses generated prior to 2018 expire between 2019 and 2037. The US net operating losses generated in 2018 have no expiration date and carry forward indefinitely. The net operating losses generated in Hong Kong have no expiration date and carry forward indefinitely, while the net operating losses generated in China have a 5-year carryover period.

We file income tax returns in various domestic and foreign tax jurisdictions with varying statutes of limitations. We are currently under examination by the IRS in the U.S. federal jurisdiction regarding our 2016 tax year, while our 2015, 2017 and 2018 tax years generally remain subject to examination by federal and most state tax authorities. In significant foreign jurisdictions, our 2014 through 2017 tax years generally remain subject to examination by the relevant tax authorities.

Under the Internal Revenue Code of 1986, as amended (the "Code"), if an ownership change (as defined for income tax purposes) occurs, §382 of the Code imposes an annual limitation on the amount of a corporation's taxable income that can be offset by net operating loss carryforwards. During our 2014 tax year, we analyzed recent acquisitions and ownership changes and determined that certain of such transactions qualified as an ownership changes under §382. As a result, we will likely not be able to use a portion of our net operating loss carryforwards.

For the years ended December 31, 2018 and 2017, we had no unrecognized tax benefits, and we have not taken any tax positions which we expect might significantly change unrecognized tax benefits during the 12 months following December 31, 2018. We comply with tax legislation and rules that apply in jurisdictions in which we operate around the globe, to the best of our ability. In China, we incur certain business expenses subject to jurisdictionally specific requirements. While we have adhered to such rules, circumstances exist outside of our control that create uncertainty relative to our ability to sustain certain deductions. We believe, at a more likely than not level, we will sustain such deductions; however, taxing authorities in China may take an alternative position.

Tax Reform

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"), which makes broad and complex changes to the U.S. tax code that affected the 2017 tax year, including, but not limited to, (1) requiring a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries and (2) bonus depreciation that will allow for full expensing of qualified property.

The Tax Act also establishes new tax laws that affect the 2018 tax year and future tax years, including, but not limited to: (1) reduction of the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) a new limitation on deductible interest expense; (3) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries; (4) elimination of the corporate alternative minimum tax (AMT); (5) a new provision designed to tax global intangible low-taxed income (GILTI); (6) the creation of the base erosion anti-abuse tax (BEAT), a new minimum tax; (7) limitations on the deductibility of certain executive compensation; and (8) changing rules related to uses of and limitations of net operating losses (NOLs) generated after December 31, 2017.

Staff of the Securities and Exchange Commission (the "SEC") issued SAB 118, which provided guidance on accounting for the tax effects of the Tax Act. The guidance provides for a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete their accounting for the Tax Act under GAAP. Our accounting for all elements of the Tax Act was completed during the fourth quarter of 2018. Consistent with SAB 118, we included reasonable estimates of certain effects and, therefore, recorded provisional adjustments as of December 31, 2017 for certain aspects of the Tax Act. For others, we were not able to make reasonable estimates and did not record provision adjustments. We completed our accounting for all aspects of the Tax Act during the fourth quarter of 2018 as follows:

Impact on DTAs and DTLs from reduction of U.S. federal corporate tax rate

We computed the provisional impact of the reduced tax rate (from 35% to 21%) on our U.S. federal DTAs and DTLs, which were remeasured as of December 31, 2017. We also computed the provisional impact on our valuation allowance as it relates to our U.S. federal DTAs and DTLs and appropriately adjusted our valuation allowance as of December 31, 2017.

During the fourth quarter of 2018, we completed our accounting for the remeasured federal DTAs and DTLs and corresponding valuation allowance, making no changes to the provisional amounts recorded in the year ended December 31, 2017.

Valuation Allowances

During the fourth quarter of 2018, we completed our accounting for the need and amount of valuation allowance, making no changes to the provisional amounts recorded in the year ended December 31, 2017.

Deemed Repatriation Tax

As of December 31, 2017, we were unable to record a reasonable estimate of the amount of transition tax. During the fourth quarter of 2018, we completed our accounting for transition tax and did not record any amount of liability because we have cumulative tax losses in all non-US tax jurisdictions.

Global Intangible Low Taxed Income (GILTI)

As of December 31, 2017, we did not make a provisional estimate for the impact of GILTI. During the fourth quarter of 2018, we completed our accounting for GILTI and have made a policy choice to account for GILTI as a current period expense when incurred.

We account for the undistributed earnings of subsidiaries as a temporary difference, except that we do not record DTLs for undistributed earnings of foreign subsidiaries that are deemed to be indefinitely reinvested in foreign jurisdictions.

NOTE 11. DEBT

Short-Term Debt

On April 12, 2017, we issued a short-term note payable in the principal amount of $3.0 million to a private lender in exchange for cash in the same amount. The agreement, which does not have a stated interest rate, required us to repay the note plus a fee of $115 thousand on the maturity date of June 30, 2017. The note is accruing interest at $500 per day on the unpaid principal until we repay the note in full.

Other Debt

The following table presents debt as of (in thousands):

	December 31,	
	2018	**2017**
Loan due September 2020	$ 35,500	$ 35,500
Unamortized original issue discount	(1,418)	(836)
Unamortized debt issuance cost	(18)	(79)
Carrying value of Loan	34,064	34,585
Exit fee payable in relation to Loan	1,250	3,500
Total long-term debt	$ 35,314	$ 38,085
Less: current portion	(35,314)	(38,085)
Long-term debt, less current portion and net of debt issuance cost	$ —	$ —

On September 24, 2015, we entered into the Financing Agreement, pursuant to which the Lenders provided us with the $27.5 million Loan. We entered into Amendment No. 1 to Financing Agreement on September 20, 2016 which, among other changes, increased the Loan by $8.0 million to a total aggregate principal amount of $35.5 million. As of December 31, 2018, after amendments and other events described below, the Loan bore interest at three-month LIBOR (with a floor of 1%) plus 11% per annum, payable monthly, and had a maturity date of September 30, 2020. As of December 31, 2018, the applicable interest rate on the Loan was approximately 13% per annum.

In connection with the Financing Agreement, we also entered into a security agreement dated as of September 24, 2015 (the "Security Agreement") with the other Borrowers and the Guarantors for the benefit of MGG, as collateral agent for the Secured Parties referred to therein, to secure the obligations of the Borrowers and the Guarantors under the Financing Agreement. The Security Agreement provides for a first-priority lien on, and security interest in, all assets of Remark and our subsidiaries, subject to certain exceptions.

On October 25, 2017, we entered into Amendment No. 2 and Waiver and Consent to Financing Agreement, pursuant to which the Lenders waived specified events of default under the Financing Agreement occurring prior to January 1, 2018, including but not limited to events of default resulting from our non-compliance with covenants requiring minimum consolidated EBITDA of Remark and its subsidiaries and value of our assets. The Lenders also waived the covenant related to restricted cash balance through September 19, 2017.

On December 5, 2017, we entered into Amendment No. 3 to Financing Agreement pursuant to which the Lenders agreed, among other things, to modify certain of our covenants under the Financing Agreement, including (i) replacing the covenant regarding consolidated EBITDA of Remark and our subsidiaries with a covenant regarding consolidated gross revenue of our subsidiaries engaged in the operation of our KanKan business, (ii) modifying the covenants regarding consolidated EBITDA of Vegas.com and its subsidiaries and the value of certain of our assets, and (iii) increasing the amount we are permitted to invest in our non-U.S. subsidiaries operating our KanKan business, subject to certain conditions.

On April 30, 2018, we entered into Amendment No. 4 and Waiver to Financing Agreement (the "Fourth Financing Amendment"), which provided for, among other things, (i) a reduction in the interest rate on the remaining amount outstanding under the Financing Agreement to three-month LIBOR plus 8.5% per annum, (ii) an extension of the maturity date under the Financing Agreement to September 30, 2020, (iii) a modification of certain of our covenants under the Financing Agreement, including covenants regarding capital expenditures, minimum value of certain of our assets, consolidated EBITDA of Vegas.com and its subsidiaries, and revenue generated by KanKan, (iv) an increase in the amount we are permitted to invest in our non-U.S. subsidiaries operating our KanKan business (v) a waiver by the Lenders of certain events of default under the Financing Agreement and (vi) prepayment by the Borrowers of $8.0 million principal amount outstanding and $3.5 million of exit fees under the Financing Agreement within 60 days following the date of the Fourth Financing Amendment. In consideration for the Lenders' entry into the Fourth Financing Amendment, we also paid a closing fee of approximately $413 thousand.

Effective as of June 29, 2018, we entered into Amendment No. 5 and Waiver to Financing Agreement (the "Fifth Financing Amendment") pursuant to which the Lenders agreed, among other things, to extend the due date of the prepayments required by the Fourth Financing Amendment for up to three months, provided that we made extension payments on the first business day of each such month. The extension payments were $250,000 for each of the first two months and $500,000 for the third month, with the final extension period ending on September 28, 2018. We made the extension payments required by the Fifth Financing Amendment to extend the due date of the prepayments required by the Fourth Financing Amendment to September 28, 2018; however, we failed to prepay the $8.0 million principal amount and $3.5 million of exit fees due on such date. Such failure to make the required payments constitutes an event of default under the Financing Agreement and as a result, from September 28, 2018, the Loan bore interest at three-month LIBOR plus 11.0%, the default interest rate.

The Financing Agreement also contains certain affirmative and negative covenants (including, but not limited to, financial covenants with respect to quarterly EBITDA levels and the value of our assets). As of December 31, 2018 and September 30, 2018, we were not in compliance with the covenants under the Financing Agreement requiring minimum revenue from our KanKan business during the year ended December 31, 2018 of $25.0 million and during the trailing nine month period ended September 30, 2018 of $12.6 million, as actual revenue from our KanKan business during such periods was $8.0 million and $5.6 million, respectively. Our non-compliance with such covenants constitute events of default under the Financing Agreement.

On October 4, 2018, $2.25 million held in a cash collateral account to secure our obligations under the Financing Agreement (such amount reflected in Restricted cash in our consolidated balance sheet) was transferred to the Lenders and applied to the amount of exit fees due and payable under the Financing Agreement. The Financing Agreement requires us to maintain a balance in that account of at least $2.25 million and we have not replaced that amount transferred to Lenders, which constitutes an event of default under the Financing Agreement.

On October 16, 2018, in connection with our discussions with Lenders regarding a resolution of the events of default then existing under the Financing Agreement described herein, we agreed to increase the amount of the exit fees payable to the Lenders under the Financing Agreement by $1.0 million. See Note 17 for additional information regarding the Lenders' willingness to forbear from taking enforcement action as a result of our events of default.

We accounted for the Second Financing Amendment through the Fifth Financing Amendment as debt modifications, individually and collectively resulting in an immaterial amount of debt issuance cost expensed as incurred. The Fourth Financing Amendment and the Fifth Financing Amendment added additional debt discount totaling $1.5 million during the year ended December 31, 2018, while the Second Financing Amendment and the Third Financing Amendment added additional debt discount totaling $1.0 million during the year ended December 31, 2017, all of which is being amortized over the remaining term of the debt.

NOTE 12. OTHER LIABILITIES

The following table presents the components of other liabilities (in thousands):

	December 31, 2018	December 31, 2017
Deferred rent	$ 1,583	$ 1,820
Accrued early lease termination liability	1,137	—
Contingent consideration liability	—	940
Deferred tax liability	214	741
Other	34	—
Total	$ 2,968	$ 3,501

During the first quarter of 2018, we determined that we would no longer use certain leased office space and, as a result, we sublet the majority of such office space to third parties. As a result of our decision, we recognized $2.3 million of unallocated rent expense in the corporate entity, and an associated liability for early lease termination. The current portion of the liability is recorded in Accrued expense and other current liabilities, with the long-term portion recorded in Other liabilities (see table above).

The following table presents the change in the liability balance related to the early lease termination (in thousands):

	December 31, 2018
Balance at beginning of period	$ —
Establishment of early lease termination liability	2,295
Payment of rent and other costs	(1,039)
Receipt of amounts due under subleases	223
Other	22
Balance at end of period	$ 1,501

NOTE 13. COMMITMENTS AND CONTINGENCIES

Letters of Credit

As detailed in Note 5, we are party to a letter of credit facility under which certain third parties could potentially require us to make payment. At December 31, 2018, we had restricted approximately $11.1 million of cash for potential payments under our letter of credit facility.

Lease Commitments

We are party to various operating leases for office space, certain of which contain rent escalation clauses and renewal options, under which we incur rent expense that we recognize on a straight-line basis over the lease term. Our operating lease obligations expire on various future dates, with the latest expiring in 2024. For the years ended December 31, 2018 and 2017, we incurred approximately $4.8 million and $3.1 million of rent expense, respectively.

The following table presents future minimum lease payments under non-cancelable operating leases (in thousands):

	Future Minimum Lease Payments
2019	$ 3,713
2020	3,262
2021	3,169
2022	2,686
2023	1,793
Thereafter	301
Total	$ 14,924

We did not reduce future minimum lease payments in the table above by minimum sublease rentals of approximately $2.2 million due in the future under noncancelable subleases.

Other Commitment

On February 22, 2018, Vegas.com entered into an agreement for use of a suite at the new stadium being built in Las Vegas for the Vegas Raiders team of the National Football League. Under the agreement, we are obligated to pay $0.2 million on each of March 1, 2019 and March 1, 2020, and thereafter we are obligated to pay an aggregate of $7.2 million in 14 annual installments beginning on the March 1st after the Vegas Raiders play their first game in the new stadium.

Contingencies

We are neither a defendant in any material pending legal proceeding nor are we aware of any material threatened claims against us; therefore, we have not accrued any contingent liabilities related to such proceedings.

Pursuant to the terms of the purchase agreement we entered into in connection with the VDC Acquisition, we are obligated to make one more Earnout Payment, which is due in the second quarter of 2019. As of December 31, 2018 we have accrued approximately $1.0 million related to the Earnout Payment.

NOTE 14. STOCKHOLDERS' EQUITY, STOCK-BASED COMPENSATION AND NET LOSS PER SHARE

Equity Issuances

On July 2, 2018, we entered into the 2018 Aspire Purchase Agreement with Aspire Capital, which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have the right to direct Aspire Capital to purchase up to an aggregate of $30.0 million of shares of our common stock over the 30-month term of the 2018 Aspire Purchase Agreement. The 2018 Aspire Purchase Agreement replaced the 2016 Aspire Purchase Agreement, which was terminated under the terms of the 2018 Aspire Purchase Agreement.

Under the 2018 Aspire Purchase Agreement, on any trading day over the 30-month term of such agreement, we have the right, in our sole discretion, to present Aspire Capital with a purchase notice (each, a "Purchase Notice") directing Aspire Capital to purchase up to 50,000 shares of our common stock per business day, up to an aggregate of $30.0 million under the 2018 Aspire Purchase Agreement, at a per share price (the "Purchase Price") equal to the lesser of (i) the lowest sale price of our common stock on the purchase date or (ii) the arithmetic average of the three lowest closing sale prices for our common stock during the 10 consecutive trading days ending on the trading day immediately preceding the purchase date.

The aggregate purchase price payable by Aspire Capital on any one purchase date may not exceed $250,000, unless otherwise mutually agreed. The parties may mutually agree to increase the number of shares of our common stock that may be purchased per trading day pursuant to the terms of the 2018 Aspire Purchase Agreement to 3,000,000 shares.

In addition, on any trading day on which we submit a Purchase Notice to Aspire Capital to purchase at least 50,000 shares, we also have the right, in our sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing Aspire Capital to purchase an amount of our common stock equal to up to 30% of the aggregate shares of our common stock traded on the next trading day (the "VWAP Purchase Date"), subject to a maximum number of shares we may determine, and a minimum purchase price threshold equal to the greater of (i) 80% of the closing price of our common stock on the business day immediately preceding the VWAP Purchase Date or (ii) a higher price that may be determined by us. The purchase price per share pursuant to such VWAP Purchase Notice will be equal to the lesser of (i) the closing sale price of our common stock on the VWAP Purchase Date, or (ii) 97% of the volume-weighted average price for our common stock traded on its principal market on the VWAP Purchase Date, subject to certain exceptions.

We may deliver multiple Purchase Notices and VWAP Purchase Notices to Aspire Capital from time to time during the term of the Purchase Agreement, so long as the most recent purchase has been completed.

In addition, Aspire Capital will not be required to buy any shares of our common stock pursuant to a Purchase Notice that is received by Aspire Capital on any trading day on which the last closing trade price of our common stock is below $1.00. There are no trading volume requirements or restrictions under the 2018 Aspire Purchase Agreement, and we will control the timing and amount of sales of our common stock to Aspire Capital. Aspire Capital has no right to require any sales by us, but is obligated to make purchases from us as directed by us in accordance with the 2018 Aspire Purchase Agreement. There are no limitations on use of proceeds, financial or business covenants, restrictions on future fundings, rights of first refusal, participation rights, penalties or liquidated damages in the 2018 Aspire Purchase Agreement. The 2018 Aspire Purchase Agreement may be terminated by us at any time, at our discretion, without any cost to us. Aspire Capital has agreed that neither it nor any of its agents, representatives and affiliates will engage in any direct or indirect short-selling or hedging our common stock during any time prior to the termination of the 2018 Aspire Purchase Agreement.

The 2018 Aspire Purchase Agreement provides that the total number of shares that may be issued pursuant to such agreement is limited to 6,629,039 shares (the "2018 Aspire Exchange Cap"), or 19.99% of our shares of common stock outstanding as of the date of the 2018 Aspire Purchase Agreement, unless stockholder approval is obtained in accordance with the rules of the Nasdaq Stock Market. If stockholder approval is not obtained, such limitation will not apply after the 2018 Aspire Exchange Cap is reached if at all times thereafter the average purchase price paid for all shares issued under the 2018 Aspire Purchase Agreement is equal to or greater than $3.91 per share. The 2018 Aspire Purchase Agreement also provides that at no time will Aspire Capital (together with its affiliates) beneficially own more than 19.99% of our outstanding shares of common stock.

As of December 31, 2018, we have issued to Aspire Capital a total of 3,308,812 shares of our common stock under the 2018 Aspire Purchase Agreement, including 3,095,238 shares purchased by Aspire Capital for an aggregate purchase price of

$10.0 million, and 213,574 shares issued to Aspire Capital upon executing the 2018 Aspire Purchase Agreement. We also issued the shares of our common stock in settlement of the warrants as described in Note 4.

During the years ended December 31, 2018 and 2017, we issued a total of 2,584,616 and 2,110,379 shares of our common stock to investors in certain private placements in exchange for approximately $3.6 million and $13.8 million in cash, respectively.

Stock-Based Compensation

We are authorized to issue equity-based awards with respect to as many as 525,000, 10,000,000 and 10,000,000 shares of our common stock under our 2010 Equity Incentive Plan, our 2014 Incentive Plan, and our 2017 Incentive Plan, respectively, each of which our stockholders have approved. We also award cash bonuses ("China Cash Bonuses") to our employees in China, which grants are not subject to a formal incentive plan and which can only be settled in cash. We grant such awards to attract, retain and motivate eligible officers, directors, employees and consultants. Under each of the plans, we have granted shares of restricted stock and options to purchase common stock to our officers and employees with exercise prices equal to or greater than the fair value of the underlying shares on the grant date.

Stock options and China Cash Bonuses awarded generally expire 10 years from the grant date. All forms of equity awards and the China Cash Bonuses vest upon the passage of time, the attainment of performance criteria, or both. When participants exercise stock options, we issue any shares of our common stock resulting from such exercise from new authorized and unallocated shares available at the time of exercise.

We estimate the fair value of stock option awards using the BSM Model. During the periods noted, we applied the following weighted-average assumptions:

	Year Ended December 31,	
	2018	**2017**
Expected term in years	6.0	6.0
Expected volatility	60%	50%
Expected dividends	—%	—%
Risk-free interest rate	2.37%	2.00%

We estimated the expected term based upon historical data. The risk-free interest rate is based on the U.S. Treasury yield curve appropriate for the expected term on the date of grant, and we estimate the expected volatility primarily using the historical volatility of our common stock. Actual compensation, if any, ultimately realized may differ significantly from the amount estimated using an option-pricing model.

The following table summarizes activity under our equity incentive plans related to equity-classified stock option grants as of December 31, 2018, and changes during the twelve months then ended:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2018	9,397,056	$ 3.80		
Granted	1,915,500	6.78		
Exercised	(381,445)	2.58		
Forfeited, cancelled or expired	(56,262)	5.61		
Outstanding at December 31, 2018	10,874,849	$ 4.36	7.5	$ —
Exercisable at December 31, 2018	10,630,224	$ 4.33	7.5	$ —

The following table summarizes the status of non-vested stock options as of December 31, 2018, and changes during the year then ended:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at January 1, 2018	1,111,826	$ 1,202
Granted	1,915,500	12,758
Vested	(2,742,359)	13,449
Forfeited	(40,342)	69
Non-vested at December 31, 2018	244,625	$ 439

For the year ended December 31, 2017, the weighted-average grant-date fair value of options granted was $3.1 million.
For the years ended December 31, 2018 and 2017, we received proceeds from stock option exercises totaling approximately $1.0 million and $1.8 million, respectively, while the total intrinsic values of all stock option exercises during each of such years was approximately $1.5 million and $1.1 million, respectively.

As of December 1, 2017, we changed the way we compensate our employees in China. On that date, we cancelled stock options previously issued to China employees and compensated such employees with China Cash Bonuses. The amount and timing of each China Cash Bonus paid is determined in a manner similar to stock appreciation rights. We accounted for the change to China Cash Bonuses, which affected approximately 40 of our China employees, as modifications of the original awards, recognizing incremental compensation expense of approximately $0.5 million in 2017.

The following table summarizes activity related to the liability-classified China Cash Bonuses as of December 31, 2018, and changes during the twelve months then ended:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2018	266,500	$ 3.84		
Granted	1,421,375	5.92		
Exercised	(7,875)	4.23		
Forfeited, cancelled or expired	(215,250)	5.70		
Outstanding at December 31, 2018	1,464,750	$ 5.60	9.1	$ —
Exercisable at December 31, 2018	500,000	$ 5.19	8.8	$ —

During the year ended December 31, 2018, we did not award restricted stock under our equity incentive plans.

The following table presents a breakdown of share-based compensation cost included in operating expense (in thousands):

	Year Ended December 31,	
	2018	2017
Stock options	$ 13,494	$ 2,765
China Cash Bonuses	(546)	602
Restricted stock	—	853
Total	$ 12,948	$ 4,220

The following table presents information regarding unrecognized share-based compensation cost associated with stock options and China Cash Bonuses:

	December 31, 2018
Unrecognized share-based compensation cost for non-vested awards (in thousands):	
Stock options	355
China Cash Bonuses	203
Weighted-average years over which unrecognized share-based compensation expense will be recognized:	
Stock options	1.1
China Cash Bonuses	1.1

Net Income (Loss) per Share

For the years ended December 31, 2018 and 2017, there were no reconciling items related to either the numerator or denominator of the loss per share calculation.

Securities which would have been anti-dilutive to a calculation of diluted earnings per share include:

- the outstanding stock options described above;

- the outstanding CBG Acquisition Warrant, which may be exercised to purchase 40,000 shares of our common stock at a per-share exercise price of $10.00 (we are also committed to the future issuance of additional CBG Acquisition Warrants at the same per-share exercise price as the CBG Acquisition Warrant that has already been issued), and the outstanding CBG Financing Warrants, which may be exercised to purchase 3,221,777 shares of our common stock at an exercise price of $4.56 per share; and

- the warrants issued in conjunction with our acquisition of Hotelmobi, Inc., which may be exercised to purchase 1,000,000 shares of our common stock, half at an exercise price of $8.00 per share and half at an exercise price of $12.00 per share.

NOTE 15. RELATED PARTY TRANSACTIONS

On June 11, 2018, we sold the IRS.com web domain to a company in which our former CFO has a significant ownership interest. The consideration consisted of a cash payment of approximately $0.6 million and assumed liabilities of approximately $0.1 million. We recognized a gain of approximately $0.6 million on the transaction which is reported in Other gain (loss) on our 2018 Consolidated Statement of Operations and Comprehensive Loss.

One of our senior managers owns the equity interests of one of the VIEs that we consolidate, and we loaned money to him during the fourth quarter of 2017 to fund the registered capital of such VIE. Of the amount we loaned, approximately $0.7 million had not yet been deposited in the VIE’s bank account as of December 31, 2017, so we reported the outstanding amount in Other receivables on our consolidated balance sheet as of that date. There was only a de minimis balance outstanding as of December 31, 2018.

NOTE 16. SEGMENT INFORMATION

We currently report on two segments: our Travel & Entertainment segment, which provides our customers with access to a full range of travel and entertainment services in Las Vegas and surrounding areas, and our Technology & Data Intelligence segment, which provides products and services to our customers based upon the data collected and processed by our proprietary data intelligence software.

Our chief operating decision makers use Adjusted EBITDA as the primary measure of profitability for evaluating the operational performance of our reportable segments. Adjusted EBITDA represents operating income (loss) plus depreciation and amortization expense, share-based compensation expense, impairments and net other income, less other loss. For our Travel & Entertainment segment, Adjusted EBITDA includes an allocation of rent expense, which allocation we base on usage of space. We do not allocate certain other types of shared expense, such as legal and accounting, to our reportable segments; such costs are included in Corporate Entity and Other.

The following table presents certain financial information regarding our business segments and other entities for the years ended December 31, 2018 and 2017 (in thousands):

	Travel & Entertainment	Technology & Data Intelligence	Corporate Entity and Other	Consolidated
Year Ended December 31, 2018				
Revenue	$ 69,057	$ 8,030	$ 2,023	$ 79,110
Adjusted EBITDA	$ 9,043	$ (11,061)	$ (15,563)	$ (17,581)
Year Ended December 31, 2017				
Revenue	$ 61,543	$ 5,744	$ 3,314	$ 70,601
Adjusted EBITDA	$ 6,562	$ (3,116)	$ (11,183)	$ (7,737)

The following table reconciles Adjusted EBITDA for our business segments to Operating loss (in thousands):

	Travel & Entertainment	Technology & Data Intelligence	Corporate Entity and Other	Consolidated
Year Ended December 31, 2018				
Adjusted EBITDA	$ 9,043	$ (11,061)	$ (15,563)	$ (17,581)
Less:				
Depreciation and amortization	(8,786)	(653)	(1,436)	(10,875)
Impairments	—	—	(2,209)	(2,209)
Share-based compensation expense	(523)	185	(12,610)	(12,948)
Other income, net	(15)	(225)	(42)	(282)
Plus:				
Other loss	28	2	(888)	(858)
Operating loss	$ (253)	$ (11,752)	$ (32,748)	$ (44,753)
Year Ended December 31, 2017				
Adjusted EBITDA	$ 6,562	$ (3,116)	$ (11,183)	$ (7,737)
Less:				
Depreciation and amortization	(8,473)	(520)	(2,077)	(11,070)
Impairments	—	—	(14,646)	(14,646)
Share-based compensation expense	—	—	(4,220)	(4,220)
Other income, net	(19)	(3)	(1)	(23)
Plus:				
Other loss	125	6	186	317
Operating loss	$ (1,805)	$ (3,633)	$ (31,941)	$ (37,379)

The following table presents total assets for our segments (in thousands):

	December 31,	
	2018	2017
Travel and entertainment segment	$ 73,089	$ 75,820
Technology and data intelligence segment	15,563	7,579
Corporate entity and other business units	5,156	20,138
Consolidated	$ 93,808	$ 103,537

In the table above, we have restated total segment assets at December 31, 2017 for our Technology and Data Intelligence segment as well as the balance of total assets related to our corporate entity and other business units to conform to the current year presentation. We made the reporting change in response to a change in the way we analyze asset balances when making resource allocation decisions at the segment level.

Capital expenditures for our travel and entertainment segment totaled $2.2 million and $2.3 million during the years ended December 31, 2018 and 2017, respectively, while capital expenditures for our technology and data intelligence segment totaled $0.7 million and $1.2 million during the same periods, respectively.

NOTE 17. SUBSEQUENT EVENTS

Agreements with Lenders

On March 15, 2019, we entered into a Membership Interest Purchase Agreement (the "VDC Purchase Agreement") with VDC-MGG Holdings LLC, a Delaware limited liability company ("Purchaser"). Pursuant to the terms of the VDC Purchase Agreement, we agreed to sell to Purchaser all of the issued and outstanding membership interests of Vegas.com, for an aggregate purchase price of $30 million (the "VDC Transaction"). By purchasing the membership interest of Vegas.com, the Purchaser effectively assumed an amount of negative working capital. The cash proceeds of the VDC Transaction will be used to pay amounts due under that certain Financing Agreement dated as of September 24, 2015 (as amended, the "Financing Agreement"), by and among us and certain of our subsidiaries as borrowers, certain of our subsidiaries as guarantors, the lenders from time to time party thereto (the "Lenders"), and MGG Investment Group LP ("MGG"), in its capacity as collateral agent and administrative agent for the Lenders, of which approximately $10.0 million will remain outstanding after giving effect to the application of such cash proceeds. The Purchaser is an affiliate of MGG.

The VDC Purchase Agreement contains representations, warranties, covenants, indemnification provisions and closing conditions customary for transactions of this type. The VDC Purchase Agreement also contains a restriction on Vegas.com making any payment or transfer of funds, cash or any other asset to us or our other subsidiaries in excess of $150,000 in the aggregate in any 30-day period from and after the date of the VDC Purchase Agreement. Additionally, the VDC Purchase Agreement contains the following closing conditions, among others: (i) Vegas.com's purchasing at its expense a six-year tail directors' and officers' liability insurance policy; (ii) with respect to certain intellectual property license agreement pursuant to which certain intellectual property is licensed to Vegas.com, execution and delivery of an assignment of such agreement by the licensor party to such agreement to the record owner of the relevant intellectual property; and (iii) approval of the VDC Transaction by the holders of a majority of our outstanding shares of common stock ("Stockholder Approval"). Under the VDC Purchase Agreement, we also agreed that we will not, and we will cause Vegas.com not to, engage in certain transactions or take certain actions prior to closing without Purchaser's prior written consent.

The VDC Purchase Agreement is subject to customary termination provisions, and also may be terminated (i) by Purchaser, if we did not file a preliminary proxy statement related to the VDC Purchase Agreement with the SEC within five business days after the date of the VDC Purchase Agreement (we filed the preliminary proxy statement on March 22, 2019), (ii) by either party, if our stockholders vote on approval of the VDC Purchase Agreement and the VDC Transaction at a stockholder meeting held for such purpose (the "Special Meeting") and Stockholder Approval is not obtained, (iii) by either party, if the closing does not occur before June 15, 2019, which deadline may be extended by Purchaser in its sole discretion to August 15, 2019 if Stockholder Approval is not obtained by June 15, 2019, or (iv) by either party, if our board of directors (the "Board") makes a "Seller Adverse Recommendation Change" (as defined in the VDC Purchase Agreement) in accordance with the terms of the VDC Purchase Agreement, which may relate to, among other things, the Board's approval of an alternative third party acquisition proposal. The Board's ability to make a Seller Adverse Recommendation Change is subject to the Board's determination, after consultation with independent financial advisors and outside legal counsel, that the failure to make such a Seller Adverse Recommendation Change would be inconsistent with the Board's fiduciary duties under applicable law. Additionally, before the Board can make a Seller Adverse Recommendation Change, we are required to give Purchaser notice and, if and to the extent desired by Purchaser, negotiate with Purchaser in good faith to make adjustments to the terms of the VDC Purchase Agreement.

In connection with our entry into the VDC Purchase Agreement, in its capacity as administrative agent and collateral agent for the Lenders, MGG provided us with a letter in which MGG (a) consented to the VDC Transaction, or to an alternative transaction to sell all of the issued and outstanding membership interests of Vegas.com under certain limited conditions (an "Alternative Transaction") and (b) agreed it is willing to forbear from taking enforcement actions under the Financing Agreement and applicable law, effective on such date as we pay certain outstanding costs and expenses of the Lenders payable under the Financing Agreement, through up to June 4, 2019. The forbearance will terminate early under certain circumstances, including but not limited to the following: (i) if any event of default occurs under the Financing Agreement, other than those previously specified by us to the Lenders; (ii) if we or Vegas.com breach or default under the VDC Purchase Agreement; (iii) if the VDC Purchase Agreement is terminated for any reason other than for us to enter into an agreement with respect to an Alternative Transaction under the conditions specified in the VDC Purchase Agreement; (iv) if we do not file a preliminary proxy statement with the SEC within five business days after the date of the VDC Purchase Agreement; (v) if we do not file a definitive proxy statement with the SEC within three business days after expiration of the required 10-day waiting period after filing the preliminary proxy statement, or if we receive SEC comments, on the earlier of (x) three business days after resolution of such comments and (y) April 24, 2019; (vi) if we do not hold the Special Meeting within 40 calendar days after the filing of the definitive proxy statement with the SEC; and (vii) if the VDC Transaction does not close in accordance with the VDC Purchase Agreement within one business day after the Special Meeting. The forbearance letter with MGG also (i) restricts Vegas.com from transferring cash or other assets to us or our other subsidiaries in excess of $150,000 in any 30-day consecutive period, (ii) restricts us and our domestic subsidiaries from transferring cash or other assets to our foreign subsidiaries in excess of $10,000, other than the transfer of cash proceeds from certain future equity issuances and (iii) requires us to deliver to MGG a rolling 13-week cash flow forecast each week.

If MGG's forbearance expires, as a result of existing events of default under the Financing Agreement (as previously disclosed in our filings with the SEC), the Lenders may declare our obligations under the Financing Agreement, including all unpaid principal and interest, due and payable immediately and exercise such other rights available to them under the Financing Agreement, which could have a material adverse effect on our financial condition. Additionally, in connection with our entry into the VDC Purchase Agreement, we are in discussions with MGG regarding a resolution of the existing events of default under the Financing Agreement and an amendment to the Financing Agreement, anticipated to be entered into at the closing of the VDC Transaction. We cannot provide any assurance that we will be successful in completing the VDC Transaction or resolving the existing events of default under the Financing Agreement, or that the Lenders will forbear from taking any enforcement actions against us.

Sale of Common Stock

On March 21, 2019, we sold 1,666,667 shares of our common stock to Aspire Capital in exchange for $2.5 million.

New Common Stock Purchase Agreement

On March 29, 2019, we entered into a common stock purchase agreement (the "2019 Aspire Purchase Agreement") with Aspire Capital Fund, LLC ("Aspire Capital"), which provides that, upon the terms and subject to the conditions and limitations set forth therein, we have the right to direct Aspire Capital to purchase up to an aggregate of $30.0 million of shares of our common stock over the 30-month term of the 2019 Aspire Purchase Agreement. Upon the satisfaction of certain commencement conditions set forth in the 2019 Aspire Purchase Agreement, the 2019 Aspire Purchase Agreement will replace the 2018 Aspire Purchase Agreement, which will terminate under the terms of the 2019 Aspire Purchase Agreement. In consideration for entering into the 2019 Aspire Purchase Agreement, upon commencement of the 2019 Aspire Purchase Agreement, we will issue to Aspire Capital $0.9 million of shares of our common stock.

Under the 2019 Aspire Purchase Agreement, on any trading day over the 30-month term of such agreement, we have the right, in our sole discretion, to present Aspire Capital with a purchase notice (each, a "Purchase Notice") directing Aspire Capital to purchase up to 50,000 shares of our common stock per trading day, up to an aggregate of $30.0 million under the 2019 Aspire Purchase Agreement, at a per share price (the "Purchase Price") equal to the lesser of (i) the lowest sale price of our common stock on the purchase date or (ii) the arithmetic average of the three lowest closing sale prices for our common stock during the 10 consecutive trading days ending on the trading day immediately preceding the purchase date.

The aggregate purchase price payable by Aspire Capital on any one purchase date may not exceed $250,000, unless otherwise mutually agreed. The parties may mutually agree to increase the number of shares of our common stock that may be purchased per trading day pursuant to the terms of the 2019 Aspire Purchase Agreement to 3,000,000 shares.

In addition, on any trading day on which we submit a Purchase Notice to Aspire Capital to purchase at least 50,000 shares, we also have the right, in our sole discretion, to present Aspire Capital with a volume-weighted average price purchase notice (each, a "VWAP Purchase Notice") directing Aspire Capital to purchase an amount of our common stock equal to up to 30% of the aggregate shares of our common stock traded on the next trading day (the "VWAP Purchase Date"), subject to a maximum number of shares we may determine, and a minimum purchase price threshold equal to the greater of (i) 80% of the closing price of our common stock on the trading day immediately preceding the VWAP Purchase Date or (ii) a higher price that may be determined by us. The purchase price per share pursuant to such VWAP Purchase Notice will be equal to the lesser of (i) the closing sale price of our common stock on the VWAP Purchase Date, or (ii) 97% of the volume-weighted average price for our common stock traded on its principal market on the VWAP Purchase Date.

We may deliver multiple Purchase Notices and VWAP Purchase Notices to Aspire Capital from time to time during the term of the Purchase Agreement, so long as the most recent purchase has been completed.

In addition, Aspire Capital will not be required to buy any shares of our common stock pursuant to a Purchase Notice on any trading day on which the closing trade price of our common stock is below $0.25. There are no trading volume requirements or restrictions under the 2019 Aspire Purchase Agreement, and we will control the timing and amount of sales of our common stock to Aspire Capital. Aspire Capital has no right to require any sales by us, but is obligated to make purchases from us as directed by us in accordance with the 2019 Aspire Purchase Agreement. There are no limitations on use of proceeds, financial or business covenants, restrictions on future fundings, rights of first refusal, participation rights, penalties or liquidated damages in the 2019 Aspire Purchase Agreement. The 2019 Aspire Purchase Agreement may be terminated by us at any time, at our discretion, without any cost to us. Aspire Capital has agreed that neither it nor any of its agents, representatives and affiliates will engage in any direct or indirect short-selling or hedging our common stock during any time prior to the termination of the 2019 Aspire Purchase Agreement.

The 2019 Aspire Purchase Agreement provides that the total number of shares that may be issued pursuant to such agreement is limited to 8,140,373 shares (the “2019 Aspire Exchange Cap”), or 19.99% of our shares of common stock outstanding as of the date of the 2019 Aspire Purchase Agreement, unless stockholder approval is obtained in accordance with the rules of the Nasdaq Stock Market. If stockholder approval is not obtained, such limitation will not apply after the 2019 Aspire Exchange Cap is reached if at all times thereafter the average purchase price paid for all shares issued under the 2019 Aspire Purchase Agreement is equal to or greater than $1.85 per share. The 2019 Aspire Purchase Agreement also provides that at no time will Aspire Capital (together with its affiliates) beneficially own more than 19.99% of our outstanding shares of common stock.

Pending Settlement of CBG Litigation

In January 2019, we and CBG and the CBG’s joint official liquidators (the “JOLs”) entered into a Stipulation for Settlement which sets forth the binding terms of our settlement agreement (the “Stipulation for Settlement”). Pursuant to the Stipulation for Settlement, we shall issue fully-transferable warrants on a non-diluted basis allowing for the purchase of 5,710,000 shares of our common stock at a per-share exercise price of $6.00, which warrants are exercisable for a period of 5 years from the date of the Stipulation for Settlement, and which we have the right to cause the warrant holders to exercise if the closing price of our common stock is $8.00 or greater on any 5 non-consecutive days in any consecutive 30-day trading window. The parties to the Stipulation for Settlement also agreed to negotiate anti-dilution provisions for the warrants. In exchange for the foregoing consideration, the parties to the Stipulation for Settlement agreed to release their claims against each other and enter into a written definitive settlement agreement. After entering into the Stipulation for Settlement, the JOLs demanded the warrants also include an exchange right. We rejected this request as it is a material term that was not included in the Stipulation for Settlement, which we believe is binding and enforceable. We filed a motion to enforce the Stipulation for Settlement on March 12, 2019, and intend to vigorously protect our rights thereunder.

EXHIBIT 21.1

SUBSIDIARIES OF REMARK HOLDINGS, INC.

- Vegas.com, LLC, a Nevada limited liability company
  - LV.com, LLC, a Nevada limited liability company
  - Casino Travel & Tours, LLC, a Nevada limited liability company
    - CTT Tours, LLC, a Nevada limited liability company
    - CT&T Transportation, LLC, a Nevada limited liability company
- RAAD Productions, LLC, a California limited liability company
- KanKan Holdings, Ltd. (Cayman Islands), a Cayman Islands company
  - KanKan Limited (Hong Kong), a Hong Kong corporation
    - KanKan Technology (Shanghai) Co., Ltd., a Chinese limited liability company
      - Chengdu Remark Technology Co. Ltd., a Chinese limited liability company (a consolidated variable interest entity)
      - Hangzhou Shufeng Technology Co., Ltd., a Chinese limited liability company (a consolidated variable interest entity)
      - Remark Data Technology Co., Ltd., a Chinese limited liability company (a consolidated variable interest entity)
      - Bonet (Beijing) Technology LLC, a Chinese limited liability company (a consolidated variable interest entity)
- HSW (HK), Inc. Limited, a Hong Kong corporation
  - Remark Entertainment (Shanghai) Co. Ltd., a Chinese limited liability company
- Bikini.com LLC, a Nevada limited liability company
- Remark Travel, Inc., a Delaware corporation
  - Roomlia, Inc., a Delaware corporation
- Intac International, Inc., a Nevada corporation

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-226207, 333-218187, 333-147149, 333-168800, 333-200375, and 333-202027) and Forms S-3 (Nos. 333-225448, 333-180290, 333-202024 and 333-207896) of our reports dated April 1, 2019 included in this Annual Report on Form 10-K of Remark Holdings, Inc. (the "Company") relating to the consolidated balance sheets of the Company as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows, for each of the two years in the period ended December 31, 2018, and the related notes (which report expresses an unqualified opinion and contains an explanatory paragraph regarding substantial doubt about the Company's ability to continue as a going concern), and the effectiveness of internal control over financial reporting (which report expresses and adverse opinion on the effectiveness of the Company's internal control over financial reporting because of material weaknesses) for the Company as of December 31, 2018.

/s/ Cherry Bekaert LLP

Atlanta, GA

April 1, 2019

EXHIBIT 31.1

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

I, Kai-Shing Tao (the registrant's principal executive officer), certify that:

1. I have reviewed this Annual Report on Form 10-K of Remark Holdings, Inc.;

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of 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: April 1, 2019

By: */s/ Kai-Shing Tao*

Kai-Shing Tao
Chief Executive Officer and Chairman

EXHIBIT 31.2

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

I, Alison Davidson, (the registrant's principal financial officer and principal accounting officer), certify that:

1. I have reviewed this Annual Report on Form 10-K of Remark Holdings, Inc.;

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

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

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

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

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

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of 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: April 1, 2019

By */s/ Alison Davidson*

Alison Davidson
Interim Chief Financial Officer

EXHIBIT 32

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

We, Kai-Shing Tao, the registrant's principal executive officer, and Alison Davidson, the registrant's principal financial officer and principal accounting officer, certify that, to our knowledge:

1. the accompanying Annual Report on Form 10-K for the period ended December 31, 2018 (the “Report”), fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 Remark Holdings, Inc. at the dates and for the periods indicated.

Date: April 1, 2019

/s/ Kai-Shing Tao

Kai-Shing Tao
Chief Executive Officer and Chairman

/s/ Alison Davidson

Alison Davidson
Interim Chief Financial Officer