TIX CORPORATION

QUARTERLY REPORT

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2012

Tix Corporation and Subsidiaries

Index

Item 1: Exact name of the issuer and the address of its principal executive offices

Name of Issuer:	Tix Corporation
Principal Executive Offices:	12711 Ventura Blvd, Suite 340 Studio City, CA 91604 Telephone: (818) 761-1002 Facsimile: (818) 761-1072 Website: www.tixcorp.com
Investment Relations Officer:	Steve Handy, Chief Financial Officer 12711 Ventura Blvd, Suite 340 Studio City, CA 91604 Telephone: (818) 761-1002 Facsimile: (818) 761-1072 Website: www.tixcorp.com

Item 2: Shares outstanding

The following table sets forth information concerning the equity securities of Tix Corporation as of September 30, 2012.

Class	As of	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares or Public Float	Total Number of Beneficial Stockholders	Total Number of Stockholders of Record
Common Stock	September 30, 2012	100,000,000	23,669,831	16,600,000	725	182
Preferred Stock	September 30, 2012	500,000	-	-	-	-

Item 3: Interim financial statements

TIX CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash	$ 4,081,000	$ 8,077,000
Short-term investments – U.S. Treasury securities available-for-sale	2,990,000	-
Accounts receivable	52,000	55,000
Prepaid expenses and other current assets	206,000	624,000
Current assets of operations held for sale	-	1,210,000
Total current assets	7,329,000	9,966,000
Property and equipment, net	1,205,000	1,399,000
Other assets:		
Intangible assets:		
Goodwill	3,120,000	3,120,000
Intangibles, net	1,133,000	1,520,000
Total intangible assets	4,253,000	4,640,000
Deposits and other assets	111,000	319,000
Long-term assets of operations held for sale	-	12,000
Total other assets	4,364,000	4,971,000
Total assets	$ 12,898,000	$ 16,336,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,262,000	$ 3,286,000
Deferred revenue	154,000	111,000
Other current liabilities	154,000	133,000
Note payable – short term – net	121,000	584,000
Obligation for share purchases – short term	311,000	417,000
Share repurchase obligation – short term -- net	-	2,313,000
Liabilities of operations held for sale	5,000	663,000
Total current liabilities	3,007,000	7,507,000
Note payable – net	873,000	879,000
Obligation for share purchases	244,000	453,000
Total liabilities	4,124,000	8,839,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value; 500,000 shares authorized; none issued	-	-
Common Stock, $.08 par value; 100,000,000 shares authorized; 23,669,831 shares net of 9,955,544 treasury shares, and 23,669,831 shares net of 9,943,247 treasury shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	2,691,000	2,690,000
Additional paid-in capital	92,107,000	91,313,000
Obligation for share purchases	(2,018,000)	(1,968,000)
Cost of shares held in treasury	(14,654,000)	(14,631,000)
Accumulated deficit	(69,339,000)	(69,907,000)
Accumulated other comprehensive loss	(13,000)	-
Total stockholders' equity	8,774,000	7,497,000
Total liabilities and stockholders' equity	$ 12,898,000	$ 16,336,000

See accompanying notes to the condensed consolidated financial statements.

TIX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended September 30,	
	2012	**2011**
	(Unaudited)	**(Unaudited)**
Revenues	$ 6,362,000	$ 7,074,000
Operating expenses:		
Direct costs of revenues	2,512,000	2,721,000
Selling, general and administrative expenses	2,762,000	3,491,000
Depreciation and amortization	288,000	316,000
Total costs and expenses	5,562,000	6,528,000
Income from continuing operations	800,000	546,000
Other expense:		
Other expense	(2,000)	
Interest income	10,000	8,000
Interest expense	(26,000)	(27,000)
Other expense, net	(18,000)	(19,000)
Income from continuing operations before income tax expense	782,000	527,000
Income tax expense	69,000	50,000
Income from continuing operations	713,000	477,000
Discontinued operations:		
Income from operations of discontinued operations	55,000	170,000
Gain from discontinued operations	55,000	170,000
Net income	768,000	647,000
Other comprehensive loss		
Loss on available-for-sale securities arising during period	(4,000)	-
Comprehensive income	$ 764,000	$ 647,000
Net income per common share – continuing operations		
Net income per common share – continuing operations - basic	$ 0.03	$ 0.02
Net income per common share – continuing operations - diluted	$ 0.03	$ 0.02
Net income per common share – discontinued operations		
Net income per common share – discontinued operations - basic	$ 0.00	$ 0.01
Net income per common share – discontinued operations - diluted	$ 0.00	$ 0.01
Net income per common share		
Net income per common share – basic	$ 0.03	$ 0.03
Net income per common share – diluted	$ 0.03	$ 0.03
Weighted average common shares outstanding – basic	23,669,831	24,355,987
Weighted average common shares outstanding – diluted	24,421,731	25,233,355

See accompanying notes to the condensed consolidated financial statements.

TIX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(UNAUDITED)

	Nine Months Ended September 30,	
	2012	2011
	(Unaudited)	(Unaudited)
Revenues	$ 18,423,000	$ 18,813,000
Operating expenses:		
Direct costs of revenues	7,885,000	7,639,000
Selling, general and administrative expenses	8,390,000	8,295,000
Depreciation and amortization	872,000	868,000
Total costs and expenses	17,147,000	16,802,000
Income from continuing operations	1,276,000	2,011,000
Other expense:		
Other income	1,000	-
Interest income	23,000	17,000
Interest expense	(78,000)	(75,000)
Other expense, net	(54,000)	(58,000)
Income from continuing operations before income tax expense	1,222,000	1,953,000
Income tax expense	110,000	50,000
Income from continuing operations	1,112,000	1,903,000
Discontinued operations:		
Income (loss) from operations of discontinued operations	(300,000)	315,000
Loss on sale of discontinued operations	(244,000)	-
Gain (loss) from discontinued operations	(544,000)	315,000
Net income	568,000	2,218,000
Other comprehensive loss		
Loss on available-for-sale securities arising during period	(13,000)	-
Comprehensive income	$ 555,000	$ 2,218,000
Net income per common share – continuing operations		
Net income per common share – continuing operations - basic	$ 0.05	$ 0.08
Net income per common share – continuing operations - diluted	$ 0.05	$ 0.08
Net income (loss) per common share – discontinued operations		
Net income (loss) per common share – discontinued operations - basic	$ (0.02)	$ 0.01
Net income (loss) per common share – discontinued operations - diluted	$ (0.02)	$ 0.01
Net income per common share		
Net income per common share – basic	$ 0.02	$ 0.09
Net income per common share – diluted	$ 0.02	$ 0.09
Weighted average common shares outstanding – basic	23,670,732	24,585,410
Weighted average common shares outstanding – diluted	24,537,725	25,371,477

See accompanying notes to the condensed consolidated financial statements.

TIX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2012 (UNAUDITED)

	Common Stock		Additional Paid In Capital	Obligation for Share Purchases	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount						
Balance, December 31, 2011	23,669,831	$ 2,690,000	$ 91,313,000	$ (1,968,000)	$ (69,907,000)	$ (14,631,000)	$ -	$ 7,497,000
Fair value of options and warrants issued to employees and directors			765,000					765,000
Shares issued on cashless exercise of warrants and options	12,297	1,000	(1,000)					-
Cost of treasury stock	(12,297)					(23,000)		(23,000)
Obligation for share purchases			30,000	(50,000)				(20,000)
Loss on available for sale securities arising during period							(13,000)	(13,000)
Net income					568,000			568,000
Balance, September 30, 2012	23,669,831	$ 2,691,000	$ 92,107,000	$ (2,018,000)	$ (69,339,000)	$ (14,654,000)	$ (13,000)	$ 8,774,000

See accompanying notes to the condensed consolidated financial statements.

TIX CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2012	2011
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net income	$ 568,000	$ 2,218,000
Loss (gain) on discontinued operations	544,000	(315,000)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	485,000	479,000
Non-cash interest	82,000	75,000
Amortization of intangible assets	387,000	386,000
Fair value of options and warrants issued to employees and directors	765,000	577,000
Loss on maturity of available-for-sale securities	3,000	-
(Increase) decrease in:		
Accounts receivable	3,000	112,000
Prepaid expenses and other assets	626,000	(242,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,024,000)	(75,000)
Deferred revenue	43,000	18,000
Other current liabilities	21,000	24,000
Net cash provided by operating activities from continuing operations	2,503,000	3,257,000
Net cash provided by operating activities from discontinued operations	20,000	1,018,000
Net cash provided by operating activities	2,523,000	4,275,000
Cash flows from investing activities:		
Purchases of property and equipment	(291,000)	(164,000)
Purchase of available-for-sale securities	(3,006,000)	-
Acquisitions, net of cash acquired	-	(2,000,000)
Net cash used in investing activities	(3,297,000)	(2,164,000)
Cash flows from financing activities:		
Cost of treasury stock, net of fees	(23,000)	(2,526,000)
Payment of share repurchase obligation	(2,364,000)	(1,180,000)
Repayment of acquisition note	(500,000)	(375,000)
Payment of bligation for share purchases	(335,000)	(985,000)
Net cash used in financing activities	(3,222,000)	(5,066,000)
Net decrease	(3,996,000)	(2,955,000)
Cash balance at beginning of period	8,077,000	8,816,000
Cash balance at end of period	$ 4,081,000	$ 5,861,000
Supplemental disclosures of cash flow information:		
Cash paid for:		
Income taxes	$ 206,000	$ 112,000
Interest	$ -	$ -
Non-cash investing activities:		
Issuance of note payable related to acquisitions, net of discount	$ -	$ 1,800,000

See accompanying notes to the condensed consolidated financial statements.

Note 1 - Nature of Business

Tix Corporation (the "Company") was incorporated in Delaware in April 1993 under the name Cinema Ride, Inc. The Company changed its name from Cinema Ride, Inc. to Tix Corporation effective March 3, 2005. The Company is a provider of discount ticketing and discount dinner reservations through our subsidiary Tix4Tonight, LLC.

Preparation of Interim Financial Statements:

The condensed consolidated financial statements included in this report have been prepared by the Company and, in the opinion of management, include all adjustments (consisting of normal recurring accruals and adjustments necessary for adoption of new accounting standards) necessary to present fairly the results of the interim periods shown. Management believes that its disclosures are sufficiently presented to prevent this information from being misleading. Due to seasonality and other factors, the results for the interim periods are not necessarily indicative of results for a full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2011 Annual Report.

Reclassifications

Certain financial results have been reclassified to conform to the current year presentation. Such reclassifications include the presentation of the sale of substantially all of the assets and the operations and the cash flows of our Exhibit Merchandising division, Exhibit Merchandising, LLC (EM), as assets held for sale and discontinued operations in accordance with the authoritative guidance provided by the Financial Accounting Standards Board. And as such, we reclassified our condensed consolidated balance sheet as of December 31, 2011 to show the assets and liabilities of EM as assets and liabilities held for sale. We also reclassified our consolidated statements of operations for the three and nine months ended September 30, 2011 and the statements of cash flows for the nine months ended September 30, 2011 to show the results of EM as discontinued operations. We completed the sale of EM on July 12, 2012.

In prior periods, the Company had reported its financial results in two operating segments – Discount Ticketing Services and Exhibit Merchandising. Due to the recent sale of our Exhibit Merchandising segment, the Company now operates under only one operating segment, Discount Ticketing Services, and will therefore no longer provide segment reporting.

Accounting Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Consolidation:

The condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany transactions and balances are eliminated in consolidation.

Note 2 – Summary of Significant Accounting Policies

Revenue Recognition and Presentation:

The Company has two revenue streams, each of which is required under GAAP to be recorded differently. The following is a summary of our revenue recognition policies:

The Company's Las Vegas discount show ticketing business recognizes as revenue the commissions and related transaction fees earned from the sale of Las Vegas show tickets at the time the tickets are paid for by and delivered to the customers. The Company's commissions are calculated based on the face value of the show tickets sold. The Company's transaction fees are charged on a per-ticket basis. With certain exceptions, ticket sales are generally non-refundable, although same-day exchanges of previously sold tickets are permitted. Claims for ticket refunds, which are generally received and paid the day after the show date, are charged back to the respective shows and are recorded as a reduction to the Company's commissions and fees at the time that such refunds are processed. The Company does not have accounts receivable associated with its sales transactions, as payment is collected at the time of sale.

The Company offers reservations for discounted dinners at various restaurants surrounding the Las Vegas strip and downtown, with dining at specific times on the same day or in some cases the day after the sale. Revenues are recognized as transaction fees are earned from the purchaser of the dinner reservations at the time the reservations are made and a subsequent nominal fee from the restaurant at the time the reservation is used. At this time, the Company has immaterial amounts of accounts receivable.

Revenue Concentrations:

Revenues are derived from the sale of discount show tickets and discount dinner reservations. Two hotel conglomerates, Caesars Entertainment Corporation and MGM Resorts International own more than eighteen major hotels in the Las Vegas marketplace housing multiple theatres, restaurants and other types of venues. We generate approximately 60% of our revenues from the sale of discount show tickets and discount dinner reservations from Caesars Entertainment Corporation and MGM Resorts International. No single show, venue or theatre was greater than 10% of revenues.

Stock-Based Compensation:

The Company periodically issues stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. The Company accounts for stock option and warrant grants issued and vesting to employees based on the authoritative guidance provided by the Financial Accounting Standards Board ("FASB") whereas the value of the award is measured on the date of grant and recognized over the vesting period. The Company accounts for stock option and warrant grants issued and vesting to non-employees in accordance with the authoritative guidance of the FASB whereas the value of the stock compensation is based upon the measurement date as determined at either a) the date at which a performance commitment is reached, or b) at the date at which the necessary performance to earn the equity instruments is complete. Non-employee stock-based compensation charges generally are amortized over the vesting period on a straight-line basis. In certain circumstances where there are no future performance requirements by the non-employee, option grants are immediately vested and the total stock-based compensation charge is recorded in the period of the measurement date.

The fair value of the Company's common stock option grant is estimated using the Black-Scholes option pricing model, which uses certain assumptions related to risk-free interest rates, expected volatility, expected life of the common stock options, and future dividends. Compensation expense is recorded based upon the value derived from the Black-Scholes option pricing model, and based on actual experience. The assumptions used in the Black-Scholes option pricing model could materially affect compensation expense recorded in future periods.

Intangible Assets and Goodwill:

The Company accounts for intangible assets and goodwill in accordance with the authoritative guidance issued by the FASB. Intangibles are valued at their fair market value and are amortized taking into account the character of the acquired intangible asset and the expected period of benefit. The Company evaluates intangible assets and goodwill for impairment, at a minimum, on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable from its estimated undiscounted future cash flows. Recoverability of intangible assets is measured by comparing their net book value to the related projected undiscounted cash flows from these assets, considering a number of factors, including past operating results, budgets, economic projections, market trends and product development cycles. If the net book value of the asset exceeds the related undiscounted cash flows, the asset is considered impaired, and a second test is performed to measure the amount of impairment loss.

There were no indications of impairment based on management's assessment at September 30, 2012. Factors we consider important that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in the manner of the use of our assets or the strategy for our overall business, and significant negative industry or economic trends. If current economic conditions worsen causing decreased revenues and increased costs, we may have further impairment of these assets.

Impairment of Long-Lived Assets:

Authoritative guidance issued by the FASB established guidelines regarding when impairment losses on long-lived assets, which include property and equipment, should be recognized, and how impairment losses should be measured. Authoritative guidance from the FASB also provided a single accounting model for long-lived assets to be disposed of and significantly changed the criteria that would have to be met to classify an asset as held-for-sale.

Management regularly reviews property, equipment and other long-lived assets for possible impairment. This review occurs quarterly, or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. If there is indication of impairment, then management prepares an estimate of the future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. Management believes that the accounting estimate related to impairment of its property and equipment is a "critical accounting estimate" because: (1) it is highly susceptible to change from period to period because it requires management to estimate fair value, which is based on assumptions about cash flows and discount rates and (2) the impact that recognizing an impairment would have on the assets reported on the Company's balance sheet, as well as net income, could be material. Management's assumptions about cash flows and discount rates require significant judgment because actual revenues and expenses have fluctuated in the past and are expected to continue to do so. There were no indicators of impairment based on management's assessment at September 30, 2012.

Income Taxes:

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax asset or liability is established for the expected future consequences of temporary differences in the financial reporting and tax basis of assets and liabilities. The Company considers future taxable income and ongoing, prudent and feasible tax planning strategies, in assessing the value of its deferred tax assets. If the Company determines that it is more likely than not that these assets will not be realized, the Company will reduce the value of these assets to their expected realizable value, thereby decreasing net income. Evaluating the value of these assets is necessarily based on the Company's judgment. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, the value of the deferred tax assets would be increased, thereby increasing net income in the period when that determination was made.

The Company prescribes a recognition threshold and a measurement attributable for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized.

Fair Value Measurements:

The Company uses various inputs in determining the fair value of its investments and measures these assets on a recurring basis. Financial assets recorded at fair value in the consolidated balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. Authoritative guidance provided by the FASB defines the following levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these financial assets:

Level 1—Quoted prices in active markets for identical assets or liabilities.
Level 2—Inputs, other than the quoted prices in active markets, that is observable either directly or indirectly.
Level 3—Unobservable inputs based on the Company's assumptions.

The Company uses Level 1 inputs for its short-term investments (Note 3). The Company used Level 3 inputs regarding both the note payable (Note 7) and the share repurchase obligation (Note 9).

Advertising Costs:

Advertising costs are charged to operations as selling and marketing expenses at the time the costs are incurred. Advertising costs for the three months and nine months ended September 30, 2012 and 2011 were $204,000, $559,000 and $177,000, $521,000 respectively.

Recent Accounting Pronouncements:

In June 2011, the FASB issued guidance on the presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of stockholders' equity. Instead, an entity will be required to present either a continuous statement of income and other comprehensive income or in two separate but consecutive statements. The new guidance will be effective for us beginning July 1, 2012 and will have presentation changes only.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment", and an update to existing guidance on the assessment of goodwill impairment. This update simplifies the assessment of goodwill for impairment by allowing companies to consider qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two step impairment review process. It also amends the examples of events or circumstances that would be considered in a goodwill impairment evaluation. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company is currently evaluating the effects adoption of ASU 2011-08 may have on its goodwill impairment testing.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, and the American Institute of Certified Public Accountants did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

Note 3 – Short-Term Investments – Securities Available-For-Sale

The Company's investments are in U.S. treasury securities which have various maturity dates beginning October 15, 2012 and ending August 15, 2013. The Company classified these investments within Level 1 of the fair value hierarchy because they are typically valued using quoted market prices. Management has the ability, if necessary, to liquidate any of its short-term investments in order to meet its liquidity needs in the next 12 months. Accordingly, those investments with contractual maturities greater than one year from the date of purchase nonetheless are classified as short-term on the accompanying condensed consolidated balance sheets. As of September 30, 2012, investments were $3.0 million. During the nine months ended September 30, 2012, the Company recorded a realized loss of $3,000 on a matured investment and a unrealized loss of $13,000, which is included in other comprehensive loss.

Note 4 – Property and Equipment

The table below displays our property and equipment balances as of September 30, 2012 and December 31, 2011, respectively.

		September 30, 2012 (Unaudited)		December 31, 2011
Office equipment and furniture	$	2,415,000	$	3,113,000
Leasehold improvements		309,000		309,000
Property and equipment		2,724,000		3,422,000
Less accumulated depreciation		(1,519,000)		(2,023,000)
Total property and equipment, net	$	1,205,000	$	1,399,000

Depreciation expense was $160,000, $485,000 and $181,000, $479,000 for the three and nine months ended September 30, 2012 and 2011, respectively.

Note 5 – Goodwill and Intangible Assets

The following table summarizes the original cost, net of related accumulated amortization, for the Company's intangible assets at September 30, 2012 and December 31, 2011, respectively.

		September 30, 2012 (Unaudited)		December 31, 2011
Contracts	$	1,094,000	$	1,466,000
Intellectual property (e.g. domain names)		39,000		54,000
Goodwill		3,120,000		3,120,000
Total	$	4,253,000	$	4,640,000

Amortization expense related to intangible assets was $128,000, $387,000 and $135,000, $386,000 for the three and nine months ended September 30, 2012 and 2011, respectively.

Note 6 – Discontinued Operations

We account for assets held for sale and discontinued operations in accordance with the authoritative guidance provided by the Financial Accounting Standards Board, which requires that a component of an entity that has been disposed of or is classified as held for sale and has operations and cash flows that can be clearly distinguished from the rest of the entity be reported as assets held for sale and discontinued operations. In the period a component of an entity has been disposed of or classified as held for sale, we reclassify the results of operations for current and prior periods into a single caption titled *Income (loss) from discontinued operations, net of income tax benefit (expense).* In addition, we classify the assets and liabilities of those components as current and noncurrent assets and liabilities held for sale in our consolidated balance sheets. We also classify cash flows related to discontinued operations as one line item within each category of cash flows in our consolidated statements of cash flows.

Exhibit Merchandising, LLC

The Company completed the sale of the assets of its subsidiary, Exhibit Merchandising, LLC ("EM"), on July 12, 2012 to Premier Exhibition Management, LLC for a total consideration of $125,000. Premier Exhibition Management, LLC acquired primarily EM's fixed assets and inventory and agreed to assume certain existing obligations of EM. The financial results attributable to EM have been presented as discontinued operations. The decision to proceed with the sale resulted in a loss on sale of discontinued operations of $244,000 during the three and nine months ended September 30, 2012.

The following table summarizes the results of the EM business included in the consolidated statements of income as discontinued operations for the three and nine months ended September 30, 2012 and 2011, respectively.

	Three Months Ended September 30, 2012 (Unaudited)	Three Months Ended September 30, 2011 (Unaudited)	Nine Months Ended September 30, 2012 (Unaudited)	Nine Months Ended September 30, 2011 (Unaudited)
Revenues	$ 163,000	$ 2,401,000	$ 1,670,000	$ 7,154,000
Cost and expenses, net	205,000	2,054,000	1,643,000	6,212,000
Depreciation and amortization	8,000	177,000	162,000	579,000
Income (loss) before income tax expense	(50,000)	170,000	(135,000)	363,000
Income tax (benefit) expense	(105,000)	-	165,000	
Income (loss) from discontinued operations	$ 55,000	$ 170,000	$ (300,000)	$ 363,000
Loss on sale of discontinued operations	-	-	(244,000)	-
Gain (loss) from discontinued operations	$ 55,000	$ 170,000	$ (544,000)	$ 363,000

Exhibit Merchandising recognized retail store sales at the time the customer takes possession of the merchandise. Sales are recorded net of discounts and returns and exclude sales tax. Discounts are estimated based upon historical experience. For online sales, revenue is recognized free on board ("FOB") origin where title and risk of loss pass to the buyer when the merchandise leaves the Company's distribution facility at the time of shipment, which we refers to as the date of purchase by the customer. Sales are recognized net of merchandise returns, which are reserved for based on historical experience. Shipping and handling revenues from sales are included as a component of net sales. Conversely, shipping and handling costs are a component of direct cost of revenues. The Company does not have any accounts receivable associated with this business, as all transactions are done by cash or credit card.

Tix Productions, Inc.

During the nine months ended September 30, 2011, the Company also recorded $48,000 in expenses related to discontinued operations of a business which was sold during the fourth quarter of 2010.

Note 7 – Note Payable

On February 10, 2011, the Company entered into and concurrently closed on an Asset Purchase Agreement with VegasTix4Less. Pursuant to the Asset Purchase Agreement, the Company paid VegasTix4Less $2.0 million in cash and issued a $2.0 million non-interest bearing secured promissory note. The secured promissory note is secured by the assets acquired from VegasTix4Less. As this obligation carries no interest, the Company imputed an average interest rate of 5.00% resulting in a discount of $200,000, which is being amortized on an effective interest rate basis over the eight year term of the note. As of September 30, 2012, $1,125,000 was outstanding under the note payable, of which $125,000 is due in fiscal year 2012 and then $200,000 per year starting in fiscal year 2014 and concluding in fiscal year 2018. As of September 30, 2012, the unamortized discount for the note payable was $131,000, resulting in a net obligation due of $994,000, of which, $121,000 was reflected as part of current liabilities and $873,000 as non-current liability on the accompanying balance sheet.

Note 8 – Obligation for Share Purchases

In fiscal year 2011, certain officers, excluding the Company's Chairman and Chief Executive Officer, and employees of the Company (the "Purchasers") agreed to purchase an aggregate of 942,590 shares of the Company's common stock ("Common Stock") from existing stockholders at $2.00 per share or an aggregate purchase price of $1.9 million.

The selling stockholders agreed to defer the payment of their respective purchase prices in several installments over a five year period. All of the shares subject to each such purchase agreement will be held in escrow until the payment of the final installment to the seller under each such purchase agreement, at which time the shares will be released to the Purchasers. If the Purchaser fails to make an installment payment when due, the Company is obligated to make the installment payment and all future installment payments when due under their respective purchase agreement. If the Purchaser so defaults, the Company will be entitled to acquire all of the shares for which installment payments under the relevant purchase agreement have already been made and all shares for which it makes future installment payments, subject in each case to the continuing rights of the seller under the relevant purchase agreement and subject to the terms of the related escrow agreement. If, following such a default by the Purchaser, the Company fails to make any such installment payment when due, the shares representing the unpaid portion of the purchase price will be released from escrow and returned to the relevant seller and the remaining shares in escrow will be released to the Company. Each Purchaser has obtained a proxy from their respective sellers to vote all of the shares of Common Stock subject to their respective purchase agreement. The Company agreed to loan to the Purchasers an amount in cash sufficient to enable such Purchasers to pay the purchase price installment payments when due to the respective sellers under their respective purchase agreements. The Company also has an option to purchase from each Purchaser only those shares of Common Stock for which installment payments have already been made by such Purchaser under the respective purchase agreements for an exercise price ranging from $2.25 to $3.25 per share. In the event that the Company exercises the option, the shares of Common Stock subject to such option exercise will continue to remain subject to the continuing rights of the seller under the relevant purchase agreement and subject to the terms of the related escrow agreement.

Pursuant to authoritative guidance provided by the FASB, the Company determined that the agreement to finance the purchase of the 942,590 shares of Common Stock by these officers in exchange for a note (the "Note") is considered an option for accounting purposes. As the Note is secured by the Common Stock purchased, the Purchasers have the option to relinquish the Common Stock to the Company in lieu of repaying the Note in case the value of the Common Stock falls below the value of the Note. In that event, the Purchasers will be in the same position as if it never exercised the option or purchased the stock. Further, the advances to the officers and employee under the note will be recorded as a reduction to Stockholders' Equity. The Company determined the value of the 942,590 shares of Common Stock to be $1.3 million based upon a Black-Scholes Method using the following assumptions – stock price of $1.82; exercise price of $2.00; expected life of five years; volatility of 93%; dividend rate of 0.0% and discount rate of 6%. The aggregate value of these shares of $1.3 million will be amortized over the estimated life of five years. During the three months ended and nine months ended September 30, 2012, total amortization recorded amounted to $63,000 and $189,000, respectively.

The Company has recorded the aggregate purchase of $2.0 million due from the Purchasers as a contra-equity account in the accompanying condensed consolidated balance sheets. As of September 30, 2012, $555,000 was outstanding under the Company's share purchase obligation to the Purchasers of which, $311,000 was reflected as part of current liabilities and $244,000 as non-current liability on the accompanying balance sheet.

Note 9 – Share Repurchase Obligation

In December 2010, the Company entered into an agreement to purchase 3,933,191 shares of its Common Stock from Joseph B. Marsh and Lee Marshall, the co-Chief Executive Officers of TPI (the "M&M Securities Purchase Agreement"). Under the terms of the M&M Securities Purchase Agreement, the Company was required to pay for these shares in eight quarterly installments commencing no later than January 3, 2011 for an aggregate purchase price of approximately $4.8 million, or $1.20 per share. As this obligation carries no interest, the Company imputed interest with a rate of 3% resulting in a discount of $120,000, which was amortized on a straight line basis over the term of the purchase obligation. These 3,933,191 shares (as well as the 2,333,333 shares of Common Stock related to the TPI sale) were deposited into an escrow account as security for the sellers. As of September 30, 2012, all payments under the obligation were made and all of the shares of Common Stock held in the escrow account, or 4,699,893 shares of Common Stock, were released from escrow and delivered to the Company.

Note 10 – Stockholders' Equity

Treasury Shares:

During the nine months ended September 30, 2012, the Company purchased 12,297 shares of its outstanding Common Stock for $23,000 at an average price of $1.87 per share.

Summary of Stock Options:

The Company has various stock-based compensation plans. The intrinsic value of outstanding stock options at September 30, 2012 was $524,000. The intrinsic value of exercisable stock options at September 30, 2012 was $336,000. A summary of the combined stock options for the nine months ended September 30, 2012 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance outstanding, December 31, 2011	2,368,000	$ 2.08
Options granted	110,295	1.85
Options exercised	(35,000)	1.20
Options expired or forfeited	(84,000)	2.54
Balance outstanding, September 30, 2012	2,359,295	$ 2.07
Balance exercisable, September 30, 2012	1,612,521	$ 2.45

Information relating to outstanding stock options at September 30, 2012, summarized by exercise price, is as follows:

	Outstanding			Exercisable	
Exercise Price Per Share	Shares	Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$4.00 - \$7.20	339,000	4.89	\$ 6.98	339,000	\$ 6.98
\$2.00 - \$3.99	50,000	0.98	3.20	50,000	3.20
\$0.82 - \$1.99	1,970,295	7.33	1.19	1,223,521	1.17
	2,359,295	6.84	\$ 2.07	1,612,521	\$ 2.45

In March 2012, the Company granted to certain executives stock options to purchase an aggregate of 110,295 shares of Common Stock. The options vest over a 36 month period and have a five year life. The Company recorded compensation expense pursuant to authoritative guidance provided by the FASB for the three and nine months ended September 30, 2012 and 2011 of \$131,000, \$407,000 and \$153,000, \$379,000, respectively. As of September 30, 2012, the Company has outstanding unvested options with future compensation costs of \$649,000, which will be recorded as compensation expense as the options vest over their remaining vesting period of 2.4 years.

Summary of Warrants:

The intrinsic value of outstanding warrants at September 30, 2012 was \$138,000. The intrinsic value of exercisable warrants at September 30, 2012 was \$81,000. A summary of warrant activity for the three months ended September 30, 2012 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding, December 31, 2011	607,500	\$ 1.20
Warrants granted	147,059	1.85
Warrants exercised	-	-
Warrants expired	(7,500)	1.14
Balance outstanding, September 30, 2012	747,059	\$ 1.33
Balance exercisable, September 30, 2012	374,510	1.24

Information relating to outstanding warrants at September 30, 2012, summarized by exercise price, is as follows:

	Outstanding			Exercisable	
Exercise Price Per Share	Shares	Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$0.36 - \$1.99	747,059	7.72	1.33	374,510	1.24
	747,059	7.72	\$ 1.33	374,510	\$ 1.24

In March 2012, the Company granted a warrant to purchase 147,059 shares of Common Stock to its Chairman and Chief Executive Officer. The warrants vest over a 36 month period and have a five year life. The Company recorded compensation expense pursuant to authoritative guidance provided by the FASB for the three and nine months ended September 30, 2012 and 2011 of \$59,000, \$169,000 and \$49,000, \$116,000, respectively. As of September 30, 2012, the Company has outstanding unvested warrants with future compensation costs of \$347,000, which will be recorded as compensation expense as the warrants vest over their remaining vesting period of 2.4 years.

Note 11 – Related Party Transactions

During 2012 and 2011, Benjamin Frankel, a director of the Company, was, and currently is, a partner and President at Frankel, LoPresti & Co., an accountancy corporation. For the three and nine months ended September 30, 2012 and 2011, we paid Mr. Frankel or his firm for accounting and tax services \$23,000, \$80,000 and \$37,000, \$95,000 respectively.

Note 12 – Income Taxes

At September 30, 2012, the Company estimates it had federal net operating loss carry forwards ("NOL") of approximately $18.5 million, which are subject to certain limitations, and which began expiring in 2011 in varying amounts through 2027. The Company also had California State NOL of approximately $1.5 million expiring in 2013 in varying amounts through 2016.

Authoritative guidance issued by the FASB requires that a valuation allowance be established when it is more likely than not that all or a portion of deferred tax assets will not be realized. Based on a study performed by an outside third party during the third quarter of 2011 and due to the restrictions imposed by Internal Revenue Code Section 382 regarding substantial changes in ownership of companies with loss carry forwards, the utilization of the Company's NOL is limited to $1.8 million per year as a result of recent cumulative changes in stock ownership. As a result of the limitations related to Internal Revenue Code Section 382 and the Company's lack of history of profits, the Company recorded a 100% valuation allowance against its net deferred tax assets as of September 30, 2012 and December 31, 2011.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company has existing limitations on its available federal NOL due to its previous changes in ownership under Internal Revenue Service Section 382 guidelines. These restrictions limit the amount of NOL the Company can utilize over the next several years.

During 2012, we have utilized certain federal NOL to reduce our current year tax provision. We have provided valuation allowances related to the benefits from income taxes resulting from the application of a statutory tax rate to our NOL generated in previous periods. The allowances were established and maintained as a result of our history of losses from operations.

Note 13 – Earnings Per Share

Basic net income per common share is computed by dividing the net income applicable to common shares by the weighted average number of common shares outstanding during the period. Diluted net income per common share adjusts basic net income per common share for the effects of stock options, restricted stock and other potentially dilutive financial instruments only in the periods in which such effect is dilutive.

The following table sets forth the computation of basic and diluted income per common share.

	Nine Months Ended September 30, 2012	2011
Net income	$ 568,000	$ 2,218,000
Weighted average common shares- basic	23,670,732	24,585,410
Dilutive effect of employee incentive plans	674,700	524,489
Dilutive effect of warrants issued	192,293	223,578
Weighted average shares- diluted	24,537,725	25,351,477
Net income per common share:		
Basic	$ 0.02	$ 0.09
Diluted	$ 0.02	$ 0.09

Note 14 – Legal Proceedings

On December 6, 2011, three members of the Company's Board of Directors, Vadim Perelman, Kenneth H. Traub, and Mark D. Stolper, filed a lawsuit in the Court of Chancery in the State of Delaware against the Company seeking an order to compel production of certain of the Company's books and records. The Company filed an Answer on January 3, 2012. On January 13, 2012, the parties reached a settlement in principle. On January 20, 2012, the Company produced documents to the plaintiffs pursuant to the settlement in principle. On February 14, 2012, plaintiffs requested additional documents, which the Company produced on March 8, 2012. On April 4, 2012, the complaint was dismissed.

On August 1, 2011, plaintiff Iqbal "Tony" Ashraf and his investment fund, Emerald Pacific Management, served a complaint, naming certain persons, including the Company's Chief Executive Officer and Chief Operating Officer, as defendants (the "Ashraf Litigation"). On October 25, 2011, Ashraf served a first amended complaint, alleging claims for fraud and conspiracy in connection with Ashraf's purchase and sale of Common Stock through private placements and open market transactions between 2006 and 2009. The first amended complaint seeks unspecified monetary damages. The defendants filed a demurrer to the first amended complaint, which the Court sustained with leave to amend on March 14, 2012, for failure to state a claim. Ashraf thereafter filed a second amended complaint on April 3, 2012, again asserting the claim for fraud, but not conspiracy. The defendants filed a demurrer as to the second amended complaint, which the Court sustained on August 31, 2012 with leave to amend as to the claims against the Company's Chief Executive Officer, but without leave to amend as to the claims against the Company's Chief Operating Officer. The Court issued an order dismissing the claims against the Company's Chief Operating Officer with prejudice on October 9, 2012. Ashraf filed a third Aamended complaint on September 18, 2012, asserting claims against the Company and its Chief Executive Officer for fraud, negligent misrepresentation, and conspiracy based on the same underlying facts as the original complaint. The defendants filed a demurrer to the third amended complaint on October 4, 2012, which the Court sustained with leave to amend on October 29, 2012.

On October 27, 2011, John Pirample filed a complaint in the District Court of Clark County, Nevada, naming the Company, certain related entities and the Company's Chief Executive Officer as defendants (the "Pirample Litigation"). Plaintiff alleges, among other things, that defendants breached the terms of a consulting agreement, employment agreement and asset purchase agreement with the plaintiff. Plaintiff seeks damages of approximately $2.7 million. The Company has filed counterclaims against the plaintiff and an additional counter defendant for breach of an employment agreement and conversion, among other causes of action, seeking an unspecified amount of damages.

The Company intends to vigorously defend the Ashraf Litigation and the Pirample Litigation and does not believe that the ultimate outcome of either of these pending matters will have a material adverse effect on its business, financial condition or operations.

Item 4: Management's discussion and analysis or plan of operation

The following discussion should be read in conjunction with the information contained in our consolidated financial statements, including the notes thereto. Statements regarding future economic performance, management's plans and objectives, and any statements concerning assumptions related to the foregoing contained herein constitute forward-looking statements. Certain factors which may cause actual results to vary materially from these forward-looking statements are set forth herein or in our Annual Report for the year ended December 31, 2011.

Results of Operations –

Consolidated Results of Operations - Three and Nine Months ended September 30, 2012 and 2011

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	% change 2012 v 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	% change 2012 v 2011
Revenue	$ 6,362,000	$ 7,074,000	(10%)	$ 18,423,000	$ 18,813,000	(2%)
Operating Expenses:						
Direct operating expenses	2,512,000	2,721,000	(8%)	7,885,000	7,639,000	3%
Segment selling, general and administrative expenses	2,762,000	3,491,000	(21%)	8,390,000	8,295,000	1%
Depreciation and amortization	288,000	316,000	(9%)	872,000	868,000	0%
Total costs and expenses	5,562,000	6,528,000	(15%)	17,147,000	16,802,000	2%
Operating income	800,000	546,000	47%	1,276,000	2,011,000	(37%)
Operating margin	13%	8%		7%	11%	
Other expense - net	(18,000)	(19,000)	(5%)	(54,000)	(58,000)	(7%)
Income from continuing operations before income tax expense	782,000	527,000	48%	1,222,000	1,953,000	(37%)
Income tax expense	69,000	50,000	38%	110,000	50,000	120%
Income from continuing operations	713,000	477,000	49%	1,112,000	1,903,000	(42%)
Income (loss) from discontinued operations	55,000	170,000	(68%)	(544,000)	315,000	(273%)
Net income	$ 768,000	$ 647,000	19%	$ 568,000	$ 2,218,000	(74%)

Three Months Ended September 30, 2012 and 2011:

Revenues

The Company's Las Vegas discount show ticketing business recognizes as revenue the commissions and related transaction fees earned from the sale of Las Vegas show tickets at the time the tickets are paid for by and delivered to the customers. The Company's commissions are calculated based on the face value of the show tickets sold. The Company's transaction fees are charged on a per-ticket basis. With certain exceptions, ticket sales are generally non-refundable, although same-day exchanges of previously sold tickets are permitted. Claims for ticket refunds, which are generally received and paid the day after the show date, are charged back to the respective shows and are recorded as a reduction to the Company's commissions and fees at the time that such refunds are processed. The Company does not have accounts receivable associated with its sales transactions, as payment is collected at the time of sale.

The Company offers reservations for discounted dinners at various restaurants surrounding the Las Vegas strip and downtown, with dining at specific times on the same day or in some cases the day after the sale. Revenues are recognized as transaction fees are earned from the purchaser of the dinner reservations at the time the reservations are made and a subsequent nominal fee from the restaurant at the time the reservation is used. At this time, the Company has immaterial amounts of accounts receivable.

Revenues were \$6.4 million and \$7.1 million for the three months ended September 30, 2012 and 2011, respectively. The decrease in revenues of \$712,000, or 10%, is due to a general overall decrease in travel to, and consumer spending in Las Vegas; the closing of three of our bestselling shows for which there has been no comparable replacement; and recent demolition work on the Las Vegas strip requiring us to close one of our discount ticket locations at the end of April 2012.

Direct Operating Expenses

Direct operating expenses include payroll costs, rents, and utilities. Direct operating expenses were $2.5 million and $2.7 million, or 39% and 38% of the revenues for the three months ended September 30, 2012 and 2011, respectively. The decrease in expense of $209,000 was primarily due to reduced rents realized from the closure of one of our discount ticket locations in April 2012 and the recent successful negotiation of reduced rents at one of our largest discount ticket locations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include expenses that relate to activities directed by our executive offices including corporate personnel costs, insurance, litigation, legal and accounting fees, stock based compensation expense, consulting and advisory fees, regulatory compliance costs, board of directors' fees and corporate occupancy costs. In addition, selling, general and administrative expenses include merchant credit card processing fees, employee benefit expenses, advertising and miscellaneous other general operating expenses to support our ticketing services business.

Total selling, general and administrative expenses were $2.8 million and $3.5 million for the three months ended September 30, 2012 and 2011, respectively. Included in these expenses are $636,000 of aggregate expenses during the third quarter of 2012 and $1.3 million of aggregate expenses during the same period a year ago, in each case relating to ordinary course legal expenses, expenses for certain non-recurring matters requiring legal and advisory services relating to corporate and governance matters and litigation expenses. Excluding these expenses, selling, general and administrative expenses decreased $42,000, or 2%, to $2.1 million compared to $2.2 million for the same period of the prior year.

Depreciation and Amortization

Depreciation and amortization expense were $288,000 and $316,000 for the three months ended September 30, 2012 and 2011, respectively.

Other Expense, net

Other expense, net was insignificant at $(18,000) and $(19,000) for the three months ended September 30, 2012 and 2011, respectively.

Income Tax Expense

Income tax expense was $69,000 and $50,000 for the three months ended September 30, 2012 and 2011, respectively.

Discontinued Operations

The Company completed the sale of principally all of the assets of its subsidiary, Exhibit Merchandising, LLC ("EM"), for a total consideration of $125,000 on July 12, 2012. EM recorded a gain from operations of $55,000, which included an income tax benefit of $105,000, during the three months ended September 30, 2012.

Nine Months Ended September 30, 2012 and 2011:

Revenues

The Company's Las Vegas discount show ticketing business recognizes as revenue the commissions and related transaction fees earned from the sale of Las Vegas show tickets at the time the tickets are paid for by and delivered to the customers. The Company's commissions are calculated based on the face value of the show tickets sold. The Company's transaction fees are charged on a per-ticket basis. With certain exceptions, ticket sales are generally non-refundable, although same-day exchanges of previously sold tickets are permitted. Claims for ticket refunds, which are generally received and paid the day after the show date, are charged back to the respective shows and are recorded as a reduction to the Company's commissions and fees at the time that such refunds are processed. The Company does not have accounts receivable associated with its sales transactions, as payment is collected at the time of sale.

The Company offers reservations for discounted dinners at various restaurants surrounding the Las Vegas strip and downtown, with dining at specific times on the same day or in some cases the day after the sale. Revenues are recognized as transaction fees are earned from the purchaser of the dinner reservations at the time the reservations are made and a subsequent nominal fee from the restaurant at the time the reservation is used. At this time, the Company has immaterial amounts of accounts receivable.

Revenues were $18.4 million and $18.8 million for the nine months ended September 30, 2012 and 2011, respectively. The decrease in revenues of $390,000, or 2%, is due to a general overall decrease in travel to, and consumer spending in Las Vegas; the closing of three of our bestselling shows for which there has been no comparable replacement; a large show that closed temporarily to reopen in a smaller venue; and recent demolition work on the Las Vegas strip requiring us to close one of our discount ticket locations at the end of April 2012.

Direct Operating Expenses

Direct operating expenses include payroll costs, rents, and utilities. Direct operating expenses were $7.9 million and $7.6 million, or 43% and 41% of the revenues for the nine months ended September 30, 2012 and 2011, respectively. The increase in expense of $246,000 was due to increases in payroll costs of $331,000, due primarily to the expansion of the number of locations at the end of the first quarter of 2011 leading to a higher year-over-year expense. Rents and utilities expense decreased $85,000 primarily due to reduced rents realized from the closure of one of our discount ticket locations in April 2012 and the recent successful negotiation of reduced rents at one of our largest discount ticket locations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include expenses that relate to activities directed by our executive offices including corporate personnel costs, insurance, litigation, legal and accounting fees, stock based compensation expense, consulting and advisory fees, regulatory compliance costs, board of directors' fees and corporate occupancy costs. In addition, selling, general and administrative expenses include merchant credit card processing fees, employee benefit expenses, advertising and miscellaneous other general operating expenses to support our ticketing services business.

Total selling, general and administrative expenses were $8.4 million and $8.3 million for the nine months ended September 30, 2012 and 2011, respectively. Included in these expenses are $2.0 million of aggregate expenses during the first nine months of 2012 and $2.2 million of aggregate expenses during the same period a year ago, in each case relating to ordinary course legal expenses, expenses for certain non-recurring matters requiring legal and advisory services relating to corporate and governance matters and litigation expeneses. Excluding these expenses, selling, general and administrative expenses increased $249,000, or 4%, to $6.3 million compared to $6.1 million for same period of the prior year. The increase in expense was due to an increase of $141,000 in general legal expenses and an increase in non-cash stock based compensation expense of $188,000. These increases were offset by a decrease of $80,000 in expenses across our remaining operating accounts.

Depreciation and Amortization

Depreciation and amortization expense were $872,000 and $868,000 for the nine months ended September 30, 2012 and 2011, respectively.

Other Expense, net

Other expense, net was insignificant at $(54,000) and $(58,000) for the nine months ended September 30, 2012 and 2011, respectively.

Income Tax Expense

Income tax expense was $110,000 and $50,000 for the nine months ended September 30, 2012 and 2011, respectively.

Discontinued Operations

The Company completed the sale of principally all of the assets of its subsidiary, Exhibit Merchandising, LLC ("EM"), for a total consideration of $125,000. EM recorded a loss on the sale of discontinued operations of $244,000 during the nine months ended September 30, 2012. EM additionally recorded a loss from operations of $300,000, which included depreciation expense of $162,000, during the nine months ended September 30, 2012.

Liquidity and Capital Resources

At September 30, 2012, we had cash and short-term investments of $7.1 million and total assets of $12.9 million compared to $8.1 million and $16.3 million at December 31, 2011. Our working capital totaled $4.3 million at September 30, 2012, compared to $2.5 million at December 31, 2011.

Cash flows provided from operating activities were $2.5 million for the nine months ended September 30, 2012. Cash flows from operating activities were derived from our net income of $568,000 and increased by activities related to our discontinued operations of $544,000 and net non-cash charges, which include interest, stock options, warrants, depreciation, intangible assets amortization, impairment of goodwill and intangible assets, loss on disposal of fixed assets and changes in allowances for inventory obsolescence and a bad debt charge relating to advances made to a vendor. Total non-cash charges were $1.7 million. The non-cash charges were offset by changes in working capital accounts of $331,000, which included a decrease in our prepaid and other assets balance of $626,000 and a decrease in accounts payable and accrued expenses of $1.0 million. The remaining change was due to small differences in several smaller working capital accounts.

Cash used in investing activities was $3.3 million for the nine months ended September 30, 2012. The Company invested $3.0 million in U.S. treasury securities (see Note 3 to our Condensed Consolidated Financial Statements). The Company also used $291,000 for the purchases of property and equipment.

Cash used in financing activities from continuing operations was $3.2 million for the nine months ended September 30, 2012, which includes $23,000 as the cost of treasury stock acquired, $2.4 million used to reduce the outstanding principal balance on our shares repurchase obligation (see Note 9 to our Condensed Consolidated Financial Statements), $500,000 used to reduce the outstanding principal balance on note payable (see Note 7 to our Condensed Consolidated Financial Statements) and $335,000 advanced to certain officers and employees to purchase shares of Common Stock (see Note 8 to our Condensed Consolidated Financial Statements).

Summary

Our primary short-term liquidity needs are to fund general working capital requirements while our long-term liquidity needs are primarily acquisition related. Our primary source of funds for our short-term needs will be cash flows from operations, while our long-term sources of funds will be from operations and debt or equity financing. We believe we have sufficient cash on hand and are generating sufficient cash from operations to meet our current operating needs.

Off-Balance Sheet Arrangements

As of September 30, 2012, the Company did not have any “off balance sheet arrangements,” as defined in Item 16(C)(2) of the OTC Markets Guidelines for Providing Adequate Current Information.

Item 5: Legal proceedings

On December 6, 2011, three members of the Company’s Board of Directors, Vadim Perelman, Kenneth H. Traub, and Mark D. Stolper, filed a lawsuit in the Court of Chancery in the State of Delaware against the Company seeking an order to compel production of certain of the Company’s books and records. The Company filed an Answer on January 3, 2012. On January 13, 2012, the parties reached a settlement in principle. On January 20, 2012, the Company produced documents to the plaintiffs pursuant to the settlement in principle. On February 14, 2012, plaintiffs requested additional documents, which the Company produced on March 8, 2012. On April 4, 2012, the complaint was dismissed.

On August 1, 2011, plaintiff Iqbal “Tony” Ashraf and his investment fund, Emerald Pacific Management, served a complaint, naming certain persons, including the Company’s Chief Executive Officer and Chief Operating Officer, as defendants (the “Ashraf Litigation”). On October 25, 2011, Ashraf served a first amended complaint, alleging claims for fraud and conspiracy in connection with Ashraf’s purchase and sale of Common Stock through private placements and open market transactions between 2006 and 2009. The first amended complaint seeks unspecified monetary damages. The defendants filed a demurrer to the first amended complaint, which the Court sustained with leave to amend on March 14, 2012, for failure to state a claim. Ashraf thereafter filed a second amended complaint on April 3, 2012, again asserting the claim for fraud, but not conspiracy. The defendants filed a demurrer as to the second amended complaint, which the Court sustained on August 31, 2012 with leave to amend as to the claims against the Company’s Chief Executive Officer, but without leave to amend as to the claims against the Company’s Chief Operating Officer. The Court issued an order dismissing the claims against the Company’s Chief Operating Officer with prejudice on October 9, 2012. Ashraf filed a third Aamended complaint on September 18, 2012, asserting claims against the Company and its Chief Executive Officer for fraud, negligent misrepresentation, and conspiracy based on the same underlying facts as the original complaint. The defendants filed a demurrer to the third amended complaint on October 4, 2012, which the Court sustained with leave to amend on October 29, 2012.

On October 27, 2011, John Pirample filed a complaint in the District Court of Clark County, Nevada, naming the Company, certain related entities and the Company's Chief Executive Officer as defendants (the "Pirample Litigation"). Plaintiff alleges, among other things, that defendants breached the terms of a consulting agreement, employment agreement and asset purchase agreement with the plaintiff. Plaintiff seeks damages of approximately $2.7 million. The Company has filed counterclaims against the plaintiff and an additional counter defendant for breach of an employment agreement and conversion, among other causes of action, seeking an unspecified amount of damages.

The Company intends to vigorously defend the Ashraf Litigation and the Pirample Litigation and does not believe that the ultimate outcome of either of these pending matters will have a material adverse effect on its business, financial condition or operations.

Item 6: Defaults upon senior securities

Not applicable.

Item 7: Other information

Not applicable.

Item 8: Exhibits

Not applicable. The Company's exhibits are incorporated by reference from the Company's Annual Report file for the year ended December 31, 2011.

Item 9: Certifications

- Exhibit 9(A) – Certification of Principal Executive Officer

- Exhibit 9(B) – Certification of Principal Financial Officer

Exhibit 9(A)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Mitch Francis, Chairman and Chief Executive Officer of Tix Corporation (the "Company"), certify that:

1. I have reviewed this quarterly disclosure statement of the Company for the three and nine month period ended September 30, 2012;

2. Based on my knowledge, this disclosure statement does not contain any untrue statements 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this disclosure statement.

Date: November 12, 2012

/s/ Mitch Francis
Mitch Francis
Chairman and Chief Executive Officer

Exhibit 9(B)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Steve Handy, Chief Financial Officer of Tix Corporation (the "Company"), certify that:

1. I have reviewed this quarterly disclosure statement of the Company for the three and nine month period ended September 30, 2012;

2. Based on my knowledge, this disclosure statement does not contain any untrue statements 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this disclosure statement.

Date: November 12, 2012

/s/ Steve Handy
Steve Handy
Chief Financial Officer