

# OMINTO, INC.

## FORM 10-K (Annual Report)

Filed 12/29/16 for the Period Ending 09/30/16

Address	1515 SOUTH FEDERAL HIGHWAY SUITE 307 BOCA RATON, FL 33432
Telephone	561-362-2393
CIK	0001097792
Symbol	OMNT
SIC Code	7389 - Business Services, Not Elsewhere Classified
Industry	Internet Services
Sector	Technology
Fiscal Year	09/30

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 September 30, 2016

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: 0-49801

OMINTO, INC.



NEVADA

(State or other jurisdiction of  
incorporation or organization)

13-4067623

(IRS Employer  
Identification No.)

1515 S. Federal Highway, Suite 307  
Boca Raton, Florida 33432  
(Address of principal executive offices)

561-362-2393

(Registrant's telephone number, including area code)

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

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

Common Stock, par value \$0.001

(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of March 31, 2016 was \$15.5 million.

As of December 15, 2016, 17,582,974 shares of the registrant's Common Stock, par value \$0.001 per share, were outstanding and 185,000 shares of the registrant's Preferred Stock, par value \$0.01 per share, were outstanding.

## **TABLE OF CONTENTS**

### **PART I**

<a href="#">Item 1.</a>	<a href="#">Business</a>	4
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a>	13
<a href="#">Item 1B.</a>	<a href="#">Unresolved Staff Comments</a>	28
<a href="#">Item 2.</a>	<a href="#">Properties</a>	28
<a href="#">Item 3.</a>	<a href="#">Legal Proceedings</a>	28
<a href="#">Item 4.</a>	<a href="#">Mine Safety Disclosures</a>	28

### **PART II**

<a href="#">Item 5.</a>	<a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	29
<a href="#">Item 6.</a>	<a href="#">Selected Financial Data</a>	29
<a href="#">Item 7.</a>	<a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	30
<a href="#">Item 7A.</a>	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	45
<a href="#">Item 8.</a>	<a href="#">Financial Statements and Supplementary Data</a>	45
<a href="#">Item 9.</a>	<a href="#">Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</a>	45
<a href="#">Item 9A.</a>	<a href="#">Controls and Procedures</a>	45
<a href="#">Item 9B.</a>	<a href="#">Other Information</a>	47

### **PART III**

<a href="#">Item 10.</a>	<a href="#">Directors, Executive Officers and Corporate Governance</a>	48
<a href="#">Item 11.</a>	<a href="#">Executive Compensation</a>	52
<a href="#">Item 12.</a>	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	59
<a href="#">Item 13.</a>	<a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	60
<a href="#">Item 14.</a>	<a href="#">Principal Accounting Fees and Services</a>	61

### **PART IV**

<a href="#">Item 15.</a>	<a href="#">Exhibits and Financial Statement Schedules</a>	62
<a href="#">Signatures</a>		66

### Cautionary Statement Regarding Forward-Looking Statements

*The discussion contained in this Form 10-K (“Report”) under the Securities Exchange Act of 1934, as amended, (“Exchange Act”), contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those discussed herein. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as “anticipate,” “expect,” “intend,” “plan,” “will,” “believe,” “projects,” “could,” “would,” and similar expressions. You can also identify them by the fact that they do not relate strictly to historical or current facts. The forward-looking statements reflect our current view about future events and are subject to risks, uncertainties and assumptions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Our actual results may differ materially from those indicated by our forward-looking statements as a result of various factors, including the risks and uncertainties described in the section of this report titled “Risk Factors”.*

*Factors that could prevent us from achieving our goals and cause the assumptions underlying the forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, among other things:*

- *risks related to our ability to continue as a going concern being in doubt;*
- *our inability to generate enough customers or enough purchasing activity for our shopping websites;*
- *our inability to establish and maintain a large growing base of Business Associates;*
- *our failure to adapt to technological change;*
- *increased competition;*
- *increased operating costs;*
- *changes in legislation applicable to our business;*
- *our failure to improve our internal controls; and*
- *our inability to generate sufficient cash flows from operations or to secure capital to enable us to maintain our current operations or support our intended growth.*

*All forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements or other information contained herein. Stockholders and potential investors should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements in this report are reasonable, we cannot assure stockholders and potential investors that these plans, intentions and expectations will be achieved. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.*

*Information regarding market and industry statistics contained in this report is included based on information available to us that we believe is accurate. It is generally based on academic and other publications that are not produced for purpose of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. Except as required by U.S. federal securities laws, we have no obligation to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements.*

## PART I

### ITEM 1. BUSINESS

#### Background and Corporate Information

Ominto, Inc. (the “Company,” “Ominto,” “we,” or “us”) was incorporated under the laws of the State of Nevada on June 4, 1999 as Clamshell Enterprises, Inc., which name was changed to MediaNet Group Technologies, Inc. in May 2003, then to DubLi, Inc. on September 25, 2012, and finally to Ominto, Inc. as of July 1, 2015. DubLi Network Limited was merged into the Company, as its primary business in October 2009.

Since March 2013, the Company’s business operations consist of the operation of DubLi Network and the operation of DubLi.com, a shopping platform which provides Cash Back (“Cash Back”) to customers on purchases made through the site. The Company operates under both the Ominto.com and DubLi.com websites.

The Company’s principal executive offices are located in Boca Raton, Florida. The Company’s operating subsidiaries are:

- Dublicom Limited (“DUBLICOM”), a Cyprus limited company, which operates DubLi Network’s white-label Cash Back shopping website;
- DubLi Network Limited (“DubLi Network”), a British Virgin Islands limited company, which operates Ominto’s global network of Business Associates (“BAs”);
- DubLi Properties, LLC, a Delaware limited liability company, which holds certain rights to real estate in the Cayman Islands; and
- DubLi India Private Limited, a Haryana, India company, which operates Ominto’s global network of Business Associates (“BAs”) in India.
- BSP Rewards Inc., a Florida corporation, which operates Ominto’s Partner Program.
- Ominto India Private Limited, a New Delhi, India company, which operates Ominto’s Cash Back shopping website in India; and
- Ominto Limited, a limited company in Ireland, which operates Ominto’s Cash Back shopping website.

#### Business Overview

##### Our Worldwide Cash Back Shopping Sites

Ominto is a global leader in online Cash Back shopping worldwide. The Company’s shopping platform currently serves customers in more than 100 countries. Using our consumer-adaptive e-commerce sites, shoppers can browse third-party websites with different categories of products, featuring both international and local brands, travel, coupons, discounts and vouchers. The website is one global site that allows customers to select their country and language and serves customers with merchants that are available in their local country. Ominto’s websites feature some of the world’s most popular regional and international brands including Amazon.in®, Wal-Mart®, Nike®, Hotels.com®, Groupon™ and Expedia®. We receive a commission each time shoppers make a purchase on a third-party website through our shopping website. Ominto’s e-commerce platform allows consumers to shop at the same online stores they normally frequent and they earn Cash Back with each purchase through us.

Ominto’s offer of Cash Back to shoppers on online shopping and travel purchases they would regularly make has universal appeal. We encourage shoppers to return repeatedly in order to earn more Cash Back. Our shopping website is designed to be user-friendly, with intuitive design and navigation, offering a broad selection and quality of merchants as well as digital coupons. We believe Ominto was first to market in many countries including Denmark, Germany, Russia, Austria, North Africa and the United Arab Emirates with its Cash Back shopping and travel e-commerce platform. We expect to continue with our aggressive expansion in many other international markets over the next 18 months.

Our new Ominto.com shopping platform, launched in the third quarter of fiscal 2016, operates as a global site tailored to country preference depending on where in the world the shopper is logging in, as recognized by the location of the geo-IP. For example, when a customer logs in from Germany, the customer will only be offered merchants in Germany and merchants who sell to Germany and will make his or her purchases in local currency. We support several languages on our hosted portion of our shopping platform. Additionally, we will be able to personalize the shopping experience for our customers as described in more detail below.

We Personalize Our Shopping Websites : The Company’s personalized shopping platform delivers coupons, deals, and Cash Back to shoppers each time they use our platform to shop online. Ominto partners with thousands of online merchants and travel booking sites globally to deliver relevant, personalized saving opportunities to its shoppers. The new Ominto.com platform recognizes each customer’s shopping locations as determined by geo-IP and delivers a tailored shopping experience including local stores, language, currency, and relevant deals. As the shopper’s activities increase on our shopping websites over time, the level of personalization of the shopper’s experiences will also increase. By offering a shopping experience that becomes more customized and personal with increased usage, we can boost customer loyalty which is a key differentiator in the increasingly competitive landscape of the Cash Back industry. The new platform also includes a new mobile application which will allow us to offer discounts to shoppers on a real-time basis from most of the online merchants with whom we work.

We receive Cash Back from Merchants and Pass it Along to Our Shoppers : We offer Cash Back to shoppers through relationships with thousands of merchants and travel booking sites from around the world. Online retailers who join our shopping portal as participating merchants agree to pay commission income to us on goods and services purchased through our shopping platform at their online stores. The commissions are based on a set percentage of the completed customer purchase or a flat dollar amount for each transaction. We share a portion of those commissions with our shoppers in the form of Cash Back.

The amount of Cash Back a shopper receives depends upon the merchant, and is subject to change at any time by our merchants. Our platform is flexible and our merchants can offer extra discounts or Cash Back on demand. Ominto helps online retailers and brands to drive sales and acquire new customers through our platform. Ominto enters into contracts with recognized industry leading affiliate networks (“Affiliates”) who have relationships with online retailers. Online retailers are able to identify consumer traffic referred by Ominto via our Affiliate tracking links and subsequently measure the sales they realized from it. Our online retail partners pay a commission to us only after a sale is completed.

We Offer Custom Shopping Sites to our Business Clients (“Partners”) : Ominto expects to generate revenue from unique online shopping websites powered by our BSP Rewards Partner Program in two ways. First, we keep a portion of the commissions paid to us by online retailers from our Partners’ customer purchases. In addition, we receive separate fees from our Partners’ custom shopping portals powered by our platform. In the third quarter of fiscal 2016, we launched a new website aimed more effectively to serving our Partners. This more powerful website more easily and efficiently offers Partners a way to monetize existing customer databases, as well as build greater loyalty with these customers.

Partners can offer their own customers Cash Back benefits on qualifying purchases while they earn commissions on sales driven by their participants. Partners can be for-profit or not-for-profit organizations and can offer the program to customers, employees, investors and donors. We pass on to our Partners a portion of the commission we earn from merchants for purchases by shoppers who have been referred by our Partners. Our co-branded sites include our Partner’s name on the site, powered by Ominto and reside on an Ominto URL. For Partners with less than 50,000 participants, we offer a co-branded site under our BSP Rewards brand.

For Partners with more than 50,000 participants in their contact database, we offer a white-label version of the Ominto.com site. Our white label shopping and travel platform gives our Partners a professional, reliable web presence that builds loyalty and allows them to monetize their current contact database. The white-label site runs completely on the Partner’s own URL with the Partner’s own branding, although it will be powered by our Ominto.com platform.

Our largest white-label website is our DubLi.com shopping site, used by DubLi Network’s Business Associates (“BAs”) to market our co-branded sites to companies and non-profit organizations with whom they have relationships under the BSP Rewards brand. Through the existing BA relationships, they have referred over 1800 corporate and non-profit Partners in 30 countries. These Partners of DubLi Network’s BAs have the ability to market our shopping site to their own customers who enter our website through the referral link of our Partners.

How We Help Our Partners Engage with their Customers on our Shopping Site : Ominto assists its Partners in engaging with their customers or constituents by providing them with sales materials such as seasonal promotional messaging, email campaigns and banner advertisements that are designed to be quick and efficient to deploy. Our Partners can use these sales materials to direct their members and constituents to their Partner Program website and receive compensation for resulting purchases made through the shopping website. The enhanced online shopping experience offered to Partners’ own members closely connects us both to our Partners and to their large and engaged consumer base in what we believe is a minimally intrusive manner.

We launched our new platform, and offer an “Administration Dashboard” which allows each Partner to review metrics and track shopping activity and commissions generated from their Partner site. Since each of our Partners approaches its own customers to use our shopping sites for future purchases, and these customers already identify with the Partner’s trusted brand, we believe that shopping activity and loyalty at our website can be much higher for this group than non-referred traffic. We believe acquiring customers through a Partner is cost-effective and efficient. The program also serves to extend the Partner’s brand and motivates its customers to return to its website again and again.

Consumer Shoppers Direct to our Site : While we do not aggressively market directly to shoppers, shoppers from around the world can shop directly at our website and earn Cash Back from the various consumer products and travel brands available on our site.

Why Merchants Offer Cash Back : Our merchant partners are continually seeking to build traffic on their own shopping websites. When evaluating the various forms of both online and offline advertising, they often select an affiliate marketing model which includes the Cash Back Segment. Affiliate marketing is typically performance-based marketing in which online merchants reward companies like Ominto by offering a payment for each referred customer who completes a purchase on its own shopping website. Affiliate marketing (also called performance marketing or pay-for-performance) allows e-commerce retailers to maximize their return on investment (“ROI”) by leveraging the marketing efforts of other company websites to drive traffic to their own sites on a pay-for-performance basis. We believe that commissions paid to us are smaller than traditional advertising expenditures and are cost effective for merchants in delivering ROI. The sales tracking systems used in affiliate marketing measure customer behavior more accurately than sales tracking available in connection with other forms of advertising. In addition, site visitors arising from affiliate marketing are converted to customers at a higher rate than other site visitors.

#### DubLi Network - Network Marketing and Cash Back Shopping

An Ominto subsidiary operates DubLi Network, a worldwide network marketing business that allows entrepreneurs to build a business by marketing our DubLi.com online shopping portal and co-branded Partner shopping sites. Our DubLi Network subsidiary offers membership subscription packages to its BAs who are the Company’s sales and marketing engine driving traffic to DubLi.com.

Currently, DubLi Network has BAs operating in almost 100 countries. We pay a commission to our BAs when the BA’s customer makes a purchase that originated on our DubLi.com shopping portal. BAs obtain their own customers with his/her marketing organization. BAs also are encouraged to build an organization of other BAs. BAs are compensated for their own direct customers and customers of BAs that are part of their organization. Each BA’s success is dependent on shoppers associated with its organization shopping at our online retailers from the DubLi.com or other co-branded BSP Rewards Partner Program sites. We believe our continued commitment to enhance our DubLi.com shopping platform will improve our BAs’ ability to attract both new shoppers and new down-line BAs.

We believe DubLi Network creates opportunities for entrepreneurs to build global distributor organizations that offer shoppers, whether enrolled by the BA or through one of our Partners, the opportunity to shop and receive Cash Back on purchases referred by the DubLi.com shopping portal, or a co-branded Partner shopping site. DubLi Network offers people from all walks of life the opportunity to build a career or second-income business by generating earnings from the products and services that consumers buy online every day. The business rewards BAs for their sales and marketing efforts through a referral-based income program. We believe DubLi Network has become one of the largest direct selling digital commerce companies in the world. As we expand into new countries, our BAs share the growth opportunity with us.

### Success of our Programs

We believe the factors that influence the success of our Cash Back shopping websites include the following:

- the number of merchants participating in the affiliate marketing channel;
- the number of unique visitors and number of total visits to our sites;
- our customer retention rates;
- the continued expansion of DubLi Network;
- the success of our Business Associates and our contribution to their success;
- our ability to competitively compensate Business Associates;
- the development of new products and services;
- the usability and acceptance of our new Cash Back program;
- the development of new advertising and marketing programs; and
- the ability of our Partners to better engage their customer databases.

### **Industry**

Technology-enabled commerce both online and through mobile devices has grown rapidly in the last ten years as consumers have changed how and where they research products and make purchases. In 2012, global e-commerce sales topped \$1 trillion for the first time. E-commerce has moved international trade towards more convenience and freedom, facilitating cooperation between different countries, and incorporating both developed and developing countries. Developing countries may currently be limited in their information technology (“IT”) infrastructure, but in the long term we believe they will develop much-improved IT capabilities, closing the gap with more developed countries. Countries like China and India offer a well-developed technology infrastructure for e-commerce transactions, particularly using mobile devices.

Despite the worldwide prevalence of e-commerce, the Cash Back e-commerce model is not well understood by consumers and has yet to be embraced, especially in developing markets. Ominto’s success is dependent on its ability to educate consumers and change potential customers’ behavior by causing the customer to first visit an Ominto website and then be directed to a merchant’s e-commerce site to shop rather than navigating directly to the merchant’s own website. Our new Ominto.com platform launched during the third quarter of fiscal 2016 helps reduce the friction of this behavior change. The Company plans other technology launches in the near future to broaden its offering.

### **Competition**

We compete to attract both shoppers seeking savings on their online purchases and to attract merchants seeking to increase sales and acquire new customers. These markets are fragmented and rapidly changing, with limited barriers to entry.

### Ominto.com Competition

Our competition for consumer traffic includes other Cash Back and loyalty websites, digital coupon websites and mobile applications, all retail e-commerce sites, search engines, social networks and price-comparison shopping sites. We believe that our primary competitors include:

- Ebates®, Mr. Rebates®, and Shopathome™;
- Cartera Commerce, which offers its program through banks, airlines and credit card companies in the US and around the world; and
- To a lesser extent, digital coupon websites like RetailMeNot.com and Groupon.com that we believe attract consumers unfamiliar with Cash Back offerings.

On an international level, we compete against both traditional and online direct-selling companies for market share. Some of our international competitors include:

- TopCashback, Qidco and Pouring Pounds (UK);
- Encashit, Baggout, Cashkaro and Pennyful (India);
- ShopBack (Singapore)

### DubLi Network Competition

DubLi Network faces competition from an array of domestic and international direct selling and network marketing companies. We believe we benefit from a dual-purpose business model in which we offer Cash Back to shoppers as well as provide a compelling earnings opportunity for Business Associates. However, we often compete on a regional or national basis with competitors that have greater financial resources than we do. The degree of competition in this segment of the industry varies widely from country to country. Some of our competitors in the Cash Back niche include Cashback Kaboom, Market America's Shop.com and Lyoness®.

We also compete to attract and retain BAs with network marketing companies engaged in other businesses. Our competitors promise competitive earning opportunities to stand-out performers.

### **What Makes Us Different**

We believe our competitive strengths are:

- **Our Technology.** Ominto's innovative shopping platform has capabilities and features that differentiate our shopping portals from our competitors. Not only will our platform tailor the shopper's experience based on his or her geographic location, but we will customize the shopper's experience on Ominto portals based on the shopper's ongoing behaviors on the site. This customized shopping experience is refined further based upon each shopper's activity on the portal. We believe that offering the best online shopping experience for e-consumers will earn customer loyalty. In the highly competitive Cash Back shopping industry, Cash Back amounts do not vary widely among our competitors. Therefore, differentiating ourselves from our competitors is crucial for long term success and we believe that personalization is one of the best means to that end.

- Our e-commerce platform will be able to continually increase the personalization of the site visits for each user without asking the shopper to input personal information or fill out a questionnaire. This capability provides our merchants a pleasant way to upsell and cross-sell their entire inventory while presenting options to the shopper that are relevant to that shopper's preferences and tastes. This may include features such as personalization of the website content specifically for shoppers as well as automatic generation and delivery of customized email and direct message advertisements that are relevant to that particular shopper. Ominto will be able to deploy this technology across desktop computers and mobile devices. We believe that we are one of the few Cash Back sites to employ this level of sophisticated personalization. DubLi.com is powered by the new Ominto.com platform and will also enjoy the advantages of the enhanced platform and features.
- **Exceptional Customer Service.** The personalized customer service offered by our Business Associates and our dedicated Ominto customer success team results in improved customer satisfaction.
- **Variety and Quality of Merchants.** We are proud of the variety and quality of our merchants that include some of the most recognized brands in each geographic market. Our global acquisition team is tasked to continually seek out new merchants and maintain positive communication with our existing merchants.
- **Web Design.** We anticipate that Ominto.com's attractive and intuitive web design will enhance the experience of our consumers on our platform.
- **Ominto Partner Programs/BSP Rewards.** Ominto's white label and co-branded sites are unique offerings providing Partners with a professional web presence for their own customers through access to a Cash Back shopping and travel portal. The program is a value-added feature that supplements the Partner's core business with both its customers and with its employees, investors and donors.
- **Geographic Flexibility.** Ominto identifies its shoppers by geo-IP which provides customers with country specific merchant options from the moment they first log in. The Ominto platform recognizes each customer's preferred shopping locations and delivers a tailored shopping experience including preferred stores, language, currency and deals.

In addition, our DubLi Network adds the following strengths:

- **Personal direct sales** – Direct selling is a very effective form of advertising. DubLi Network Business Associates sell one-on-one to potential customers of DubLi.com with the ability to answer questions and address customer challenges in real time. Other forms of traditional advertising lack this level of personal contact.
- **Cost effective entry into new markets** - We are working to establish an active DubLi Network sales force in countries Ominto is targeting for its growth. Beginning our marketing with a DubLi Network sales force allows us to cost effectively and efficiently enter a country without the expense of establishing a physical location. We benefit from the existence of an established sales force on the ground offering our DubLi.com product before we launch local merchants on Ominto.com in any new country or territory.
- **Business Associate Support** - DubLi Network provides excellent support services and comprehensive training to its BAs to facilitate growth of their individual businesses.

## **Growth Strategy**

We have identified a number of strategic endeavors that we believe will result in the continued growth of the Company.

### *New Markets*

Our new Ominto.com platform is a global site serving more than 100 countries in the world. For the DubLi Network where we focus on adding new malls, Ominto uses a systematic approach to evaluating new market opportunities. Key factors include market size, e-commerce infrastructure, mobile and digital trends, and legal and government requirements. We target markets in which e-commerce growth is accelerating. For example, we used a first-to-market strategy in Denmark, Russia, Austria and the UAE and we leveraged direct referrals from our BAs. We are now poised to add our Partners' existing customer bases by using our Partner programs. Our geographic expansion strategy helps us enter new markets with global momentum based on brand recognition created from leveraging our Partners' brands and existing marketing. We intend to partner with organizations that have access to large, captive audiences, including non-profit, telecommunications and publishing organizations. Many of the markets we plan to enter already have current DubLi Network presence in the form of BAs. In other markets we have hosted, or intend to host, pre-launch DubLi Network events.

### *Technology*

During fiscal year 2017, we plan to offer free Ominto mobile applications ("mobile apps") in the iOS App Store and Google Play Stores which are being designed to strengthen our brand awareness and provide an even more convenient shopping experience for our shoppers. When launched, our mobile apps will include all of the appealing features of our Web experience, and many more that are uniquely tailored to native mobile apps rather than mobile websites. We believe our plan to offer mobile apps will meet the desire of many mobile device owners for mobile apps rather than mobile websites. In addition, the mobile app will allow us to offer localized coupons and specials on a real-time basis to our customers.

Our website is based on responsive web design which tailors design and development to respond to the user's behavior and environment based on screen size, platform and orientation. As the user switches from laptop to tablet or other mobile devices, the website automatically adjusts to accommodate for resolution and image size.

We believe our new personalized user account dashboard will increase site usage as shoppers receive information, newsletters and promotions related to their favorite brands and products. We intend to add community and social media features to the customer dashboard to make it even easier for members to recommend brands and products to their friends. On the strength of these recommendations, our shoppers will be more likely to return to our sites for their future purchases. We believe that this customization will encourage repeat visits and increase customer retention rates.

### *Encourage organic growth*

We plan to send customized, personalized e-mails and newsletters with specials, coupons and holiday deals to our shoppers from our thousands of brand name merchants.

To cater precisely to shoppers' preferences, we will also track how our shoppers interact on our websites, via e-mail, and on mobile devices to ensure that we send relevant, engaging communications. In order to ensure the best deals and Cash Back, we will offer advertising placement spots to our merchants and travel partners.

According to Experian Marketing Services, personalized promotional e-mailings garner 29% higher unique open rates and 41% higher unique click rates than non-personalized mailings. Personalized, triggered mailings have similar success, boasting 25% higher unique open rates and 51% higher unique click rates. Among promotional mailings, personalized e-mails produce six times the transaction rates and revenues per e-mail compared to non-personalized e-mails, while personalized, trigger campaigns create double the transaction rates of non-personalized trigger mailings.

### *Comprehensive Training and Education for Business Associates*

In order to assist Business Associates, DubLi Network hosts DubLi Academy, a proprietary training and education program. The Company offers courses and training materials, including Partner Program post-certification training to help BAs to assist Partners in building a group of their own members who make purchases on our shopping sites. We believe that these courses and materials improve the BA's success rate and reduce BA attrition. We are also working to improve BA retention by providing additional sales and marketing tools to make DubLi Network more rewarding at a faster rate. We believe additional education will increase BA participation. During the third quarter of fiscal 2016, we launched a new version of DubLi Academy that recommends training appropriate for each BA after registering, and will take them through the steps and features they need.

### Improve Ominto Merchant Relations

We have developed a team of professionals in all key regions of the world to work exclusively on merchant relations. This team ensures that our Cash Back commissions remain competitive, and actively negotiates exclusive coupons and specials for our members. They assist in obtaining new merchant relationships, in existing and new geographic markets. Cultivating sound relationships with our merchants is an important part of our current and future business. This team is also responsible for securing advertising placements on the shopping site and for inclusion in customer communications.

### Stimulate New Membership Growth Through Business Client Sites

In addition to training BAs for the DubLi Partner sales certification, the Company conducts its own outreach and marketing program for Partners. Ominto sends marketing tools, banners, brochures and a variety of other materials to its business clients. We include valuable tips on writing blogs, creating newsletter programs, and utilizing social media to help our Partners interact with their own customers more efficiently. Furthermore, the Partner team actively works with Partners who have very large customer databases and significant brand reach to create customized marketing materials in line with their particular business model.

### **Government Regulations**

In both the United States and foreign markets in which we conduct business and marketing, we are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints exist at the federal, state or local levels in the U.S., and at all levels of government in foreign jurisdictions, including regulations pertaining to distribution and sale of our products and services. In addition, we are subject to regulations regarding product claims, advertising, marketing and BA income potential.

We are subject to regulations and laws that involve privacy and data security, anti-spam, data protection, content, copyrights, distribution, electronic contracts, electronic communications and consumer protection such as, without limitation, the CAN-SPAM ACT, and the Digital Millennium Copyright Act (“DMCA”).

US regulatory agencies have also placed an increased focus on online privacy matters and, in particular, on online advertising activities that utilize cookies, which are small files of non-personalized information placed on an Internet user’s computer, and other online tracking methods. Such regulatory agencies have released, or are expected to release, reports pertaining to these matters.

Any failure on our part to comply with privacy related laws and regulations could result in proceedings against us by governmental authorities or others, which could harm our business. In addition, the interpretation of data protection laws, and their application to the Internet is unclear and in a state of flux. These laws may be interpreted and applied in conflicting ways from state to state, country to country, or region to region, and in a manner that is not consistent with our current data protection practices. Complying with these varying international requirements could cause us to incur additional costs and change our business practices. Further, any failure by us to adequately protect our members' privacy and data could result in a loss of member confidence in our services and ultimately in a loss of members and customers.

In addition to the foregoing, our operations are subject to federal, foreign, state, and local government laws and regulations, including those relating to zoning, workplace safety, and accommodations for the disabled, and our relationship with our employees are subject to regulations, including minimum wage requirements, anti-discrimination laws, overtime and working conditions, and citizenship requirements.

In addition, because our services are accessible worldwide, certain foreign jurisdictions have claimed and others may claim that we are required to comply with their laws, including in jurisdictions where we have no local entity, employees, or infrastructure.

### **Intellectual Property**

Our intellectual property includes the content of our websites, our registered domain names, and our registered and unregistered trademarks. We believe that our intellectual property is an important asset of our business and that our DubLi.com, Ominto.com, and other domain names and our technology infrastructure give us a competitive advantage in the Cash Back e-commerce website market. We rely on a combination of trademark, copyright and trade secret laws in the US and Europe, as well as contractual provisions, to protect our proprietary technology and our brands. We currently have trademarks registered or pending in the US, Europe, Canada, South Korea, Singapore, and all of the contracting parties (countries) of the Madrid protocol for our name and certain words and phrases used in our business.

We have unregistered copyrights in the software we have developed and continue to develop, comprising a substantial amount of the core software used for our business, as well as in other works of authorship that we created, including content for our websites. We have not registered or applied to register any of our copyrights in any country. We design and develop our software, primarily using employees. We also engage third-party contractors with specialized technology expertise to leverage our internal employee capabilities when needed. We do not use open source software.

Currently, we have not received or applied for any patents in any country. Consequently, the lack of filing for patent protection could present obstacles in later obtaining any patents on any of our technology or software.

### **Employees**

As of September 30, 2016, we had approximately 30 employees located in the US, the United Arab Emirates ("the UAE") and India. In addition, we employ independent contractors in the US, the UAE, and Germany. Our employee count may change periodically. We believe relations with our employees are good. None of our employees are represented by collective bargaining agreements.

### **Available Information**

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports are made available without charge on our investor website (inc.ominto.com) as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission ("SEC"). We also make available on our website our Code of Business Conduct and Ethics. Copies of these SEC reports and other documents are also available, without charge, from Investor Relations by sending an email to investorrelations@ominto.com or by calling (561) 362-2393. Information on our website does not constitute part of this report. Additionally, our filings with the SEC may be read and copied at the SEC Public Reference Room at 100 F Street, NE Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. These filings are also available on the SEC's website at www.sec.gov free of charge as soon as reasonably practicable after we have filed or furnished the above referenced reports.

## ITEM 1A. RISK FACTORS

### Risks Relating to Our Business

#### ***Our operating prospects have recently been in doubt***

The Company's Board of Directors and Executive Management reasonably believes that the Company will continue to exist to carry out all objectives, commitments, and stated goals for the immediate future. Profitability and positive cash flows from operations continue to improve. The Company is currently able to meet all current and immediate obligations without substantial asset sales or restructuring. Management believes the Company's financial trends will continue to be positive as a result of a new Cash Back shopping platform, changes to the Company's business model and the arrival of new management team members. Furthermore, there are no known loan defaults, denial of trade credit from suppliers, and no known adverse legal proceedings that could materially affect the Company.

We are continuing to advance our growth strategies by expanding our network; adding on-line and other digital capabilities to attract new consumers; acquiring business customers and expanding geographies in our business. To better position us for sustainable growth of the business, we are implementing a series of strategic actions, with a focus on enhancing our value proposition, continuing to invest in the fast-growing digital channels, and further optimizing our cost structure.

***We have material weaknesses in our internal control over financial reporting. If we do not improve our internal controls and systems, our business may suffer and the value of our stockholders' investment may be harmed. Any material weaknesses in our internal control over financial reporting in the future could adversely affect investor confidence, impair the value of our common stock and increase our cost of raising capital.***

Consistent with the Sarbanes Oxley framework, we are engaged in the process of completing and documenting each of the Company's key information technology and business processes necessary to improve our internal controls. Our first step was to assess our significant processes. We have undertaken this assessment and have made an initial determination of our significant processes. We are currently engaged in the next step in this process which is to document these significant processes and design key controls for each process.

We continue to take remedial measures to correct our internal control deficiencies and expect to devote significant resources to improving our internal controls. We have added four (4) full time positions in our accounting department which we believe will continue to improve internal controls. With the additional staff, we will be able to focus on providing additional training, as well as provide adequate time for our staff to complete the control procedures which have been or will be assigned to them.

We cannot be certain that these measures will ensure that our controls will be adequate in the future or that the controls will be effective in preventing fraud or material misstatement. If we fail to maintain an effective system of internal controls, we may not be able to report our financial results accurately, and fraud may be easier to perpetrate on us. Any failures in the effectiveness of our internal controls could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Any such failure could, in turn, affect the future ability of our management to certify that internal control over our financial reporting is effective. Additionally, inferior internal control over financial reporting could also subject us to the scrutiny of the SEC and other regulatory bodies which could cause investors to lose confidence in our reported financial statements and could subject us to civil or criminal penalties or stockholder litigation, which could have an adverse effect on our results of operations and the trading price of our common stock.

#### ***Compliance with corporate governance and public disclosure regulations may result in additional expenses.***

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and new regulations issued by the SEC are creating additional disclosure obligations. We may need to invest substantial resources to comply with evolving standards, and this investment would result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

#### ***There are significant market risks associated with our business.***

We have formulated our business plan and strategies based on certain assumptions regarding the size and dynamics of the e-commerce marketplace, our anticipated share of this market, the estimated price and acceptance of our services and products and other factors. These assumptions are based on our best estimates, however, our assessments may not prove to be correct. Our future success may depend upon factors including, among other things, effectiveness of our marketing efforts, effectiveness of our Partner Programs, increased levels of competition, including the entry of additional competitors and increased success by existing competitors, changes in general economic conditions, increases in operating costs and reduced margins caused by competitive pressures.

#### ***The direct customer Cash Back market in which we participate is extremely competitive.***

The market for online Cash Back solutions is highly competitive, fragmented and rapidly changing. Consumers seeking to save money on online purchases use search engines, social networks, comparison shopping websites, and loyalty sites. We believe that our most significant competitors offering Cash Back to consumers are Ebates®, Shopathome™ and Fat Wallet® (which is owned by Ebates®). Other competitors in the e-commerce marketplace focus primarily on excess and overstock products with fixed price formats. We expect competitors to launch new and innovative models and strategies. With the introduction of new technologies and the influx of new entrants to the market, we expect competition to intensify in the future, which could harm our ability to increase customers shopping at our portals and obtain profitability. There are very limited barriers to entry for competitors.

Our success depends on the breadth, depth, quality and reliability of our Cash Back offerings, as well as our continued innovation and ability to provide features that make our shopping websites useful and appealing to customers. If we are unable to develop quality features that Partners and consumers want, then our Partners and shoppers are likely to try one of our competitors. Our current and potential competitors may have significantly more brand awareness, financial resources, customer support, technical, marketing and other resources than we have, be able to devote greater resources to the development, promotion, sale and support of their products and services, have more extensive consumer bases and deeper relationships, and may have longer operating histories and greater name recognition than we have. As a result, these competitors may be better able to respond quickly to new technologies, develop deeper merchant relationships or offer higher cash back. Any of these developments would make it more difficult for us to recruit Partners and could result in increased pricing pressure, reduced profit margins, or increased sales and marketing expenses.

We also directly and indirectly compete with online retailers for consumer traffic directly to their websites. Many online retailers market their own websites to consumers using their own websites, e-mail newsletters and alerts, mobile applications, social media presence and other distribution channels. Our online retailers could be more successful than we are at marketing their own websites or could decide to terminate their relationship with us because they no longer want to pay us a share of purchases on their own sites. We may face competition from companies we do not yet know about. If existing or new companies develop, market or resell competitive Cash Back solutions, acquire one of our existing competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be significantly compromised and our ability to develop profitable operations could be harmed.

***If we are unable to expand the capabilities of our digital Cash Back solutions for our mobile platforms, our revenues may decrease and we could lose our customers to our competitors who have more robust mobile platforms.***

Web usage and the consumption of digital content are increasingly shifting to mobile platforms such as smart phones and other connected devices. Industry-wide solutions to monetize online referral sites effectively on these platforms are at an early stage of development and the future demand and growth prospects for online shopping portals on these mobile platforms is uncertain. The growth of our business depends in part on our ability to deliver compelling solutions to consumers through these new mobile marketing channels. We expect to launch our customized mobile app on our Ominto.com site during fiscal 2017. We cannot be sure that our introduction of this platform will be timely or successful. Our success on mobile platforms and ability to deliver high quality mobile offerings will be dependent on our compatibility with popular mobile operating systems, such as Android, iOS and Windows Mobile. Compatibility changes in such systems that degrade our functionality or improve the functionality of our competitors' services could adversely affect usage of our services through mobile devices. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks or standards. If we fail to achieve success with our mobile applications ("mobile apps") and mobile website, or if we otherwise fail to deliver effective solutions to advertisers for mobile platforms and other emerging platforms, our ability to monetize these growth opportunities will be constrained, and financial condition and operating results would be adversely affected.

***We face more risks with our international operations.***

Our international expansion has been rapid and our international business is critical to our reaching profitability. We intend to continue to expand our white label Partner programs in new countries in parallel with our DubLi Network expansion which will offer co-branded Partner sites. This continued expansion into new international markets requires us to localize our services to conform to local laws, cultures, standards, and policies. Weaknesses in the commercial, Internet, and transportation infrastructure in developing countries may make it more difficult for us to replicate our business model. In many countries, we compete with local companies that understand the local market better than we do, and we may not benefit from first-to-market advantages. We may not be successful in expanding into new international markets or in generating revenues from foreign operations.

We are subject to the following risks of doing business internationally, which include:

- regulatory requirements including regulation of Internet services, communications, professional selling, distance selling, privacy and data protection, banking and money transmitting, that may limit or prevent the offering of our services in some jurisdictions, prevent enforceable agreements between sellers and buyers, prohibit the listing of certain categories of goods, require product changes, require special licensure, subject us to various taxes, penalties or audits, or limit the transfer of information between us and our Business Associates, Partners, customers and participating merchants on our shopping portals;
- difficulties in integrating with local payment providers, including banks, credit and debit card networks, and electronic fund transfer systems or with the local telecommunications infrastructure;
- differing levels of retail distribution, shipping, communications, and Internet infrastructures;
- difficulties in implementing and maintaining adequate internal controls;
- potentially adverse tax consequences, including local taxation of our fees or of transactions on our websites;
- higher telecommunications and Internet service-provider costs;
- different and more stringent user protection, data protection, privacy and other laws;
- expenses associated with localizing our products, including offering customers the ability to transact business in the local currency;

- profit repatriation restrictions, foreign currency exchange restrictions, and exchange rate fluctuations;
- volatility in a country or region's political, economic or military conditions;
- challenges associated with maintaining relationships with local law enforcement and related agencies;
- interrupted or prohibited operations in jurisdictions where a potential violation of the Foreign Corrupt Practices Act could occur;
- the lack of well-established or reliable legal systems and
- varied intellectual property laws.

Our international costs of doing business may exceed our comparable domestic costs. As we expand our international operations and have additional portions of our international revenues denominated in foreign currencies, we face challenges in repatriating money without adverse tax consequences, and risks relating to foreign currency exchange rate fluctuations.

We conduct certain product and website development, customer support and other operations, in regions outside the US. We are subject to both US and local laws and regulations applicable to our offshore activities. If we fail to obtain anticipated benefits associated with providing these functions outside of the US, including cost efficiencies and productivity improvements, our business could be adversely affected.

***We are exposed to fluctuations in currency exchange rates and interest rates.***

A substantial portion of our revenues are generated in currencies other than the US dollar, and since we report our financial results in US dollars, we face exposure to adverse changes in currency exchange rates. If the US dollar strengthens against foreign currencies, the translation of these foreign currency denominated transactions will result in decreased revenues and income. We are also subject to currency exchange risks in connection with our purchase and sale of US dollars and Euro's in the ordinary course of our business to meet our obligations to our Business Associates, other vendors and creditors. Therefore, increases or decreases in the value of the US dollar against any currency which affects a material amount of our operations, will affect our revenues, cost of sales, gross profit (loss), operating expenses, or other income and expenses and the value of balance sheet items denominated in foreign currencies. These fluctuations may have a material adverse effect on our financial results. Disruptions in financial markets may result in significant changes in foreign exchange rates in relatively short periods of time which further increases the risk of an adverse currency effect. Since we plan to expand our international operations, we will likely increase our exposure to foreign currency risks. We do not hedge our currency risk, and do not expect to.

***The inability of our significant participating merchants or our affiliate network agents to meet their payment obligations to us may adversely affect our financial results.***

Our Cash Back revenues are substantially comprised of cash rebates received from our participating merchants. We do not receive rebates directly from the merchants. We contract with third parties known as "affiliate networks" that establish the contractual relationships with the merchants, provide the tracking links, establish the amount of Cash Back, collect the Cash Back and pay us commissions due. We are subject to credit risk due to both the concentration of our trade accounts receivables in a small number of affiliate networks and the potential for the merchants to fail to pay the affiliate networks the Cash Back that is owed to us. The latter risk is small because we have numerous participating merchants and the failure of a single merchant is less material. Although the accounts of our affiliate networks and our significant participating merchants are current, the inability of either to meet their future obligations to us, may adversely affect our financial condition and results of operations.

***We face risks in connection with our relationships with our domestic and foreign credit card processors who collect membership fees and other fees from our customers, BAs and Partners.***

We have agreements in place with credit card processors in the United States, Europe, the Middle East and India that process the purchase of membership packages completed on our websites. Pursuant to the current terms and conditions of these agreements, the processors are permitted to maintain a certain percentage of reserve or holdback for a certain period on each sale processed by them. Holdbacks are the portion of the revenues from a credit card transaction that is held in reserve by the credit card processor to cover possible disputed charges, chargeback fees, and other expenses. In the event a credit card processor declares bankruptcy, encounters financial difficulties, refuses or fails to honor its contract with us for any reason or ceases operations, there can be no assurance that we would be able to access funds due to us on a timely basis, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, from time to time, these processors may increase the amount that they keep in reserve as holdbacks. Although we are entitled to receive any remaining holdback amount after a designated period of time, any increase in the holdback percentage would result in a delay in our receiving the full proceeds from the sales of our products. This would adversely affect our cash flows and financial condition.

***We face risks in connection with our relationships with our foreign mobile payment application processors in India, the Middle East and Southeast Asia who collect membership fees and other fees from our customers, BAs and Partners.***

We have agreements in place with mobile payment applications in India, the Middle East and Southeast Asia that process the purchase of membership packages completed on our websites. Pursuant to the current terms and conditions of these agreements, the processors are permitted to maintain a certain percentage of reserve or holdback for a certain period on each sale processed by them. Holdbacks are the portion of the revenues from a credit card transaction that is held in reserve by the credit card processor to cover possible disputed charges, chargeback fees, and other expenses. In the event a credit card processor declares bankruptcy, encounters financial difficulties, refuses or fails to honor its contract with us for any reason or ceases operations, there can be no assurance that we would be able to access funds due to us on a timely basis, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, from time to time, these processors may increase the amount that they keep in reserve as holdbacks. Although we are entitled to receive any remaining holdback amount after a designated period of time, any increase in the holdback percentage would result in a delay in our receiving the full proceeds from the sales of our products. This would adversely affect our cash flows and financial condition.

***We may not be successful in developing brand awareness for our brands, which is critical to our business.***

We believe that brand recognition is critical to our businesses. In July 2015, we changed the name of our parent company from DubLi, Inc. to Ominto, Inc. and launched a newly branded Ominto.com shopping site in the third quarter of fiscal 2016. We must quickly establish a brand identity for Ominto. Although we have brand awareness of our “DubLi” brand, we must establish both DubLi and our new Ominto brand as brands that potential Partners perceive as offering a satisfactory level of value through our products and services. To promote our DubLi brand, we expect to continue to recruit new BAs and to incentivize existing BAs. Without brand awareness, we may not be successful in attracting new customers, which could adversely affect our business.

***We may be unable to successfully exploit the opportunity to offer customized shopping websites.***

We relaunched our existing white label and co-branding ability as our "BSP Rewards Partner Program." These programs offer our profit and non-profit business clients a custom “white label” or “co-branded” shopping site so they can monetize their existing customer/constituent base. The white label sites will be powered by the Ominto.com platform and clients will host their own customized landing pages and other selected customized content while retaining their own logos and branding. In contrast, our co-branded program offers Partners an exact replica of the Ominto.com website that bears the Partner’s logos without the Ominto logo. Although we previously offered the DubLi Partner co-brand service, we have not actively marketed it or engaged with our Partners in expanding their customers’ use of the sites. With our new Ominto.com portal and our expanded marketing team, we are seeking significant expansion of this part of our business. To be successful with these programs, we must both establish additional white label and co-branded sites for our Partners and actively support them in engaging their members and constituents on shopping on our sites. If we are not able to do this, our operating results and financial condition will be adversely affected.

***Customer complaints, negative publicity or our security measures could diminish our business.***

Customer complaints, negative publicity or poor customer service could severely diminish consumer confidence in, and use, of our products and services. If we fail to consistently promote our merchant sites, or if there are rumors, articles, reviews or blogs that indicate or suggest that we have failed to consistently promote such offerings, our business could decrease. Similarly, measures we take to combat fraud and breaches of privacy and security have the potential to damage relations with our shoppers or decrease activity on our sites by making our sites more difficult to use or restricting the activities of certain users. Negative publicity about, or negative experiences with, customer support for any of our business models could cause our reputation to suffer or affect consumer confidence in our brand as a whole.

***We are dependent on key employees.***

Our success depends upon the efforts of our top management team and certain other key employees, including the efforts of Michael Hansen (Founder and Chief Executive Officer) and Betina Dupont Sorensen (Chief Operating Officer). Although we have written employment agreements with these key employees, such individuals could die, become disabled, or resign. In addition, our success is dependent upon our ability to attract and retain key management persons for a variety of positions in the Company. We may not be able to recruit and employ such executives at times and on terms acceptable to us. Also, changes in our overall compensation program (including our equity compensation program) and volatility or lack of positive performance in our stock price, may adversely affect our ability to retain such key employees.

***Our business and users may be subject to sales tax and other taxes, which may dissuade our users from utilizing our portals.***

The application of indirect taxes (such as sales and use tax, value-added tax (“VAT”), goods and services tax, business tax, and gross receipt tax) to e-commerce businesses and to our users is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of the Internet and e-commerce. In many cases, it is not clear how existing statutes apply to the Internet or e-commerce or communications conducted over the Internet. In addition, some jurisdictions have implemented or may implement laws specifically addressing the Internet or some aspect of e-commerce or communications on the Internet.

One or more states, the federal government or foreign countries may seek to impose a tax collection, reporting or record-keeping obligation on companies that engage in or facilitate e-commerce. Such an obligation could be imposed by legislation intended to improve tax compliance. One or more other jurisdictions may also seek to impose tax-collection or reporting obligations based on the location of the product or service being sold or provided in an e-commerce transaction, regardless of where the respective users are located. Imposition of a discriminatory record-keeping or tax-collecting requirement could decrease the number of participating merchants and would harm our results of operations.

We pay input VAT on applicable taxable purchases within the various foreign countries in which we operate. In most cases, we are entitled to reclaim this input VAT from the various foreign countries. However, because of our unique business model, the application of the laws and rules that allow such reclamation is sometimes uncertain. A successful assertion by one or more countries that we are not entitled to reclaim VAT could harm our operating results.

***Any interruptions in Internet service could harm our business.***

Our customers need access to the Internet to access our shopping website. We have experienced short system failures from time to time. The success of our business also depends largely on the continued availability of the Internet infrastructure. Frequent or persistent interruptions in availability of our sites could cause current or potential users to believe that our systems are unreliable, leading them to switch to our competitors or to avoid our sites, and could permanently harm our reputation and brands. If we fail to maintain a reliable network backbone with the necessary speed, data capacity, and security, as well as timely development of complementary products our business may be harmed. If our customers are unable to rely on access to our shopping portals, we could lose existing customers, impair our ability to attract new customers and experience loss of revenue from shopping that did not occur while the portals were unavailable.

The Internet has experienced significant growth in the numbers of users and amount of traffic, a trend likely to continue. The Internet infrastructure may be unable to support such demands. In addition, increasing numbers of users, increasing bandwidth requirements, or problems caused by “viruses,” “worms,” malware and similar programs may harm the performance of the Internet. The backbone computers of the Internet have been the targets of such programs. Although our systems have been designed around industry-standard architectures to reduce downtime in the event of outages or catastrophic occurrences through worldwide redundant servers, they remain vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks, and similar events. Our systems are also subject to hackings, break-ins, sabotage, and intentional acts of vandalism. Despite any precautions we may take, the occurrence of a natural disaster, a decision by any of our third-party hosting providers to close a facility we use without adequate notice for financial or other reasons, or other unanticipated problems at our hosting facilities could result in lengthy interruptions in our services. We do not carry business interruption insurance to compensate us for losses that may result from interruptions in our service as a result of system failures. These internet outages and delays could reduce the level of Internet usage generally, as well as the level of usage of our shopping portals.

***If we are unable to retain our existing online retailer relationships, we will be unable to operate profitably.***

Our ability to continue to grow our revenues will depend in large part on maintaining our positive reputation with existing online retailers. The number of online retailers offering Cash Back on our sites may not expand materially beyond our existing base or may decline. Online retailers also may reduce the commission rates they pay to us for sales our websites facilitate. If we, or our affiliate networks, who have the direct relationships with most of our online retailers, are unable to negotiate favorable terms with current or new online retailers in the future, including the commission rates they pay us, our operating results will be adversely affected.

Online retailers do not enter into long-term contracts requiring them to be included on our Cash Back websites and their contracts with us are cancelable upon short or no notice and without penalty. We cannot be sure that the online retailers with whom our affiliate networks have a relationship will continue to be included on our websites or that we will be able to replace online retailers that do not renew their campaigns with new ones generating comparable revenues. If we are unable to retain and expand online retailer relationships, our revenues will decrease and our operating results will be adversely affected.

***Regulatory, legislative or self-regulatory developments regarding Internet privacy matters could adversely affect our ability to conduct our business.***

Consumer and industry groups have expressed concerns about online data collection and use by companies, which has resulted in the release of various industry self-regulatory codes of conduct and best practice guidelines that are binding for member companies and that govern, among other things, the ways in which companies can collect, use and disclose user information, how companies must give notice of these practices and what choices companies must provide to consumers regarding these practices. We are obligated in certain cases to comply with best practices or codes of conduct addressing matters, such as the online tracking of users or devices. US regulatory agencies have also placed an increased focus on online privacy matters and, in particular, on online advertising activities that utilize cookies, which are small files of non-personalized information placed on an Internet user's computer, and other online tracking methods. Such regulatory agencies have released, or are expected to release, reports pertaining to these matters. Since March 2012, the FTC, issued a report on consumer privacy intended to articulate best practices for companies collecting and using consumer data. The report recommends companies adopt several practices that could have an impact on our business, including giving consumers notice and offering them choices about being tracked across other parties' websites and implementing a persistent "Do Not Track" mechanism to enable consumers to choose whether to allow tracking of their online search and browsing activities, including on mobile devices. Various industry participants have worked to develop and finalize standards relating to a Do Not Track mechanism, and such standards may be implemented and adopted by industry participants at any time. We may be required or otherwise choose to adopt Do Not Track mechanisms, in which case our ability to use tracking technologies could be impaired.

US and foreign governments have enacted, considered or are considering legislation or regulations that could significantly restrict industry participants' ability to collect, augment, analyze, use and share anonymous data, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools. A number of bills have been proposed in the US Congress in the past that contained provisions that would have regulated how companies can use cookies and other tracking technologies to collect and use information about consumers. Some of those bills also contained provisions that would have specifically regulated the collection and use of information, particularly geo-location information, from mobile devices. At least one such bill presently has been proposed in the US Congress.

Additionally, the EU has traditionally imposed strict obligations under data privacy laws and regulations. Individual EU member countries have had discretion with respect to their interpretation and implementation of EU data privacy laws, resulting in variation of privacy standards from country to country. Legislation and regulation in the EU and some EU member states requires companies to obtain specific types of notice and consent from consumers before using cookies or other tracking technologies. To comply with these requirements, the use of cookies or other similar technologies may require the user's affirmative, opt-in consent. Additionally, in January 2012, the European Commission announced significant proposed reforms to its existing data protection legal framework that, if implemented, may result in a greater compliance burden with respect to our operations in Europe.

Changes in global privacy laws and regulations and self-regulatory regimes may force us to incur substantial costs or require us to change our business practices. This could compromise our ability to pursue our growth strategies effectively and may adversely affect the demand for our solutions or otherwise harm our business and financial condition. For instance, new privacy laws or regulations or changed interpretations of existing laws or regulations could require performance marketing networks or us to take additional measures to facilitate consumer privacy preferences or to limit or cease altogether the collection, use or disclosure of data. The recent FTC staff report also recommends that websites offer consumers a choice about whether the owner of the website can use third parties to track the consumer's activity for certain purposes. We are dependent on third parties, including performance marketing networks, to place cookies on browsers of users that visit our websites. If in the future we are restricted from allowing cookies, if there is a material increase in the number of users who choose to opt out or block cookies and other tracking technologies, or if performance marketing networks' cookies or other tracking mechanisms otherwise do not function properly, our ability to generate net revenues would be significantly impaired.

We may be subject to foreign laws regulating online advertising even in jurisdictions where we do not have any physical presence to the extent a digital media content provider has advertising inventory that we manage or to the extent that we collect and use data from consumers in those jurisdictions. Such laws may vary widely around the world, making it costly for us to comply with them. Failure to comply may harm our business and our operating results could be adversely affected.

***Government regulation of the Internet, e-commerce and m-commerce is evolving, and unfavorable changes or failure by us to comply with these laws and regulations could substantially harm our business and results of operations.***

We are subject to foreign and domestic general business regulations and laws as well as regulations and laws specifically governing the Internet, e-commerce and m-commerce in a number of jurisdictions around the world. Existing and future regulations and laws could impede the growth of the Internet, e-commerce, m-commerce or other online services. These regulations and laws may involve taxation, tariffs, privacy and data security, anti-spam, data protection, gaming, multi-level marketing, wire transfers, distribution controls, libel and defamation, copyrights, electronic contracts, electronic communications and consumer protection. It is not clear how existing laws and regulations governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet as the vast majority of these laws and regulations were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet, e-commerce or m-commerce.

Those laws that govern privacy or reference the Internet, such as the US's Digital Millennium Copyright Act ("DMCA") and the European Union's Directives on Distance Selling and Electronic Commerce, are being interpreted by the courts, but their applicability and scope remain uncertain. US regulatory agencies have placed an increased focus on online privacy matters and, in particular, on online advertising activities that utilize cookies, which are small files of non-personalized information placed on an Internet user's computer, and other online tracking methods. For example the FTC recommends companies adopt several practices that could have an impact on our business, including giving consumers notice and offering them choices about being tracked across other parties' websites and implementing a persistent "Do Not Track" mechanism to enable consumers to choose whether to allow tracking of their online search and browsing activities, including on mobile devices. The EU's stricter obligations under data privacy laws and regulations provide its member countries wide discretion in interpreting the EU data privacy laws, resulting in variation of privacy standards from country to country.

Changes in global privacy laws and regulations and self-regulatory regimes may force us to incur substantial costs or require us to change our business practices. Furthermore, regulatory agencies or courts may claim or hold that we or our users are subject to licensure or prohibition from conducting our business in their jurisdiction, either generally or with respect to certain actions. It is possible that general business regulations and laws, or those specifically governing the Internet, e-commerce or m-commerce may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot assure you that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business, and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant resources in defense of these proceedings, distract our management, increase our costs of doing business, and cause consumers and online retailers to decrease their use of our marketplace, and may result in the imposition of monetary consequences. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of noncompliance with any such laws or regulations. In addition, it is possible that governments of one or more countries may seek to censor content available on our websites and mobile applications or may even attempt to completely block access to our marketplace. Laws regulating Internet and e-commerce companies outside of the US may be less favorable than those in the US, giving greater rights to consumers, competitors or users. Compliance may be more costly or may require us to change our business practices or restrict our product offerings, and the imposition of any regulations on our users may harm our business. In addition, we may be subject to overlapping legal or regulatory regimes that impose conflicting requirements on us. Our failure to comply with foreign laws could subject us to penalties ranging from criminal prosecution to significant fines to bans on our products. Adverse legal or regulatory developments could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our customer base may be adversely affected and we may not be able to maintain or grow our net revenues as anticipated.

***Our insurance coverage may be inadequate to cover any business loss.***

Our insurance coverage may not be adequate to cover all possible losses that our business could suffer. Although we have all-risk property insurance for our operating properties covering damage caused by a casualty loss (such as fire, natural disasters or certain acts of terrorism), each policy has certain exclusions. Our level of insurance coverage may be inadequate to cover all possible losses in the event of a major casualty. Therefore, certain acts and events could expose us to substantial uninsured losses. More important than the damage caused to our properties by a casualty loss, we may suffer business disruption as a result of these events. While we do carry general liability insurance, including coverage for identity theft, we do not carry business interruption insurance. The insurance we do carry may not continue to be available on commercially reasonable terms and, in any event, may not be adequate to cover all losses.

***Our failure or the failure of third-party service providers to protect our platform and network against security breaches, or otherwise protect our confidential information, could damage our reputation and brand and substantially harm our business and operating results.***

We deliver digital content via our shopping website and we collect and maintain data about consumers, including personally identifiable information, as well as other confidential or proprietary information. Our security measures may not detect or prevent all attempts to hack our systems, denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our platform or that we or our third-party service providers otherwise maintain. Breaches of our security measures or those of our third-party service providers could result in unauthorized access to our platform or other systems; unauthorized access to and misappropriation of consumer information, including consumers' personally identifiable information, or other confidential or proprietary information of ourselves or third parties; viruses, worms, spyware or other malware being served from our platform; deletion or modification of content, or the display of unauthorized content, on our websites or our mobile applications; or a denial of service or other interruption in our operations. Because techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we and they may be unable to anticipate these attacks or to implement adequate preventative measures. Potential liability could include claims for unauthorized purchases with credit card information, impersonation or other similar fraud claims. This liability could also include claims for other misuse of personal information, including unauthorized marketing purposes. Any of these claims could result in litigation. Liability for misappropriation of this information could adversely affect our business. In addition, the FTC and state agencies have been investigating various Internet companies regarding their use of personal information. We could incur additional expenses from the introduction of new regulations regarding the use of personal information or from government agencies investigating our privacy practices. Any actual or perceived breach of our security could damage our reputation and brand, expose us to a risk of loss or litigation and possible liability, require us to expend significant capital and other resources to alleviate problems caused by such breaches and deter consumers and online retailers from using our online marketplace, which would harm our business, financial condition and operating results.

***We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effectively secure transmission of confidential information, such as customer credit card numbers.***

We cannot assure you that advances in computer capabilities, new discoveries in the field of cryptography or other events or developments will not result in a compromise or breach of the algorithms that we use to protect customer transaction data. If any such compromise of our security were to occur, it could harm our reputation, business, prospects, financial condition and results of operations. A party who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may be required to expend significant capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches. We cannot assure you that our security measures will prevent security breaches or that failure to prevent such security breaches will not harm our business, prospects, financial condition and results of operations.

***Our inability to protect our intellectual property adequately could adversely affect our business.***

Our proprietary technology is one of the keys to our performance and ability to remain competitive. We rely primarily on a combination of copyright, trade secret, and contract laws to establish and protect the proprietary nature of our technology. Much of the software that we use was specifically developed by the Company and, accordingly, we believe we have certain proprietary rights to the software. Prior to September 2016, we have used employees to develop the software that we consider to be proprietary to our business, and are generally deemed under copyright law to be the author of the software. On September 14, 2016, the Company entered into a strategic relationship with Quant Systems, Inc. (“Quant”) in which Quant provides advisory and information technology solutions consulting to the Company, including technical consulting, software implementation and re-engineering. Refer to “Subsequent Events” on page 43 for more information regarding Quant. We have a general practice of requiring our employees to enter into confidentiality, invention assignment and non-compete agreements to provide trade secret and contractual protections for our software as well as other confidential and proprietary technical and business information and ideas. We also use technical and business measures to protect our proprietary rights. For example, we limit distribution of our software, maintain it in physically secure locations with restricted access, and use firewalls to try to keep out intruders, and we generally enter into confidentiality agreements with our consultants, business partners, and other third parties. Nonetheless, the steps we take to protect our proprietary technology and other information may not prevent misappropriation of our technology, and the agreements we enter into for that purpose might not be enforceable. Our trade secrets or proprietary technology may become known or be independently developed by competitors. We have copyrights without registering our software or other works of authorship, but we have not registered our copyrights with the US Copyright Office or any other copyright office, and would not be entitled to the additional protections afforded by such registration. We do not rely on and do not have any patent protections at this time on our technology. As such, due to certain legal requirements in timely filing for patent protection, the lack of filing for patent protection could present obstacles to us in the future should we decide to proceed with filing for patent protection. It is difficult for us to police the unauthorized use of our technology, particularly because the global nature of the Internet makes it difficult to control the ultimate destination or security of software or other transmitted data. The laws of other countries may not provide us with adequate or effective protection of our intellectual property. We have not undertaken a review of third-party patents in any jurisdiction to try to determine if a third-party may claim that we infringe on its patent or other proprietary rights, and do not plan in the near future to do so. Such a claim, if vigorously pursued, could require, among other things, substantial resources to fight, that we stop using most or substantial and important parts of our technology, that we expend additional resources to try to replace such technology with non-infringing technology which may not have the same features, usability, maintainability, or customer acceptance, and the Company to pay sums as damages that we could not afford to pay.

***Our inability to adequately protect our brands, or claims that our brands are similar to third-party brand owners, could adversely affect our business.***

Our trademarks, service marks, trade names and trade dress (also sometimes known as brands) provide value to the Company and its affiliates. We have a compliance process in place for DubLi Network BAs to follow so that they do not violate our service marks and use the Company brands inappropriately. We currently have trademarks registered or pending in the US, Europe, Canada, South Korea, Singapore, and all of the contracting parties (countries) of the Madrid protocol for our name and certain words and phrases that we use in our business including, but not limited to, DubLi Worldwide Trading, Ominto, DubLi, Dubot and others. Although we believe that our “Ominto” and “DubLi” and other trade names and logos have certain intellectual property protections, our competitors or others could adopt product or service names similar to “Ominto”, “DubLi” or our other service marks or trademarks. We may or may not be able to register all of our brands in every country where we seek registration and there can be no assurance that registered trademarks will protect our brands. Any of the foregoing might impede our ability to build brand identity and could lead to customer confusion. Our inability to protect our service marks, trademarks or other brands adequately could adversely affect our business and financial condition, and the value of our brand name and other intangible assets. Conversely, third parties who use, develop or register service marks, trademarks or other brands similar to ours in countries in which we do business or intend to do business may claim that our brands infringe upon their registered or common law rights in those countries. We therefore, cannot assure you that we will be able to use our brands in every country where we wish to do business. Any intellectual property claim against us, regardless of merit, could be time consuming and expensive to settle or litigate and could divert our management’s attention and other resources. These claims also could subject us to significant liability for damages and could result in our having to stop using technology, content, branding or business methods found to be in violation of another party’s rights. We might be required or may opt to seek a license for rights to intellectual property held by others, which may not be available on commercially reasonable terms, or at all. Even if a license is available, we could be required to pay significant royalties, which would increase our operating expenses. Any of these events could harm our business, operating results and financial condition.

***We rely on information technology to operate our business and maintain competitiveness, and any failure to adapt to technological developments or industry trends could harm our business.***

We depend on the use of information technologies and systems. As our operations grow in size and scope, we must continuously improve and upgrade our systems and infrastructure while maintaining or improving the reliability and integrity of our infrastructure. Our future success also depends on our ability to adapt our systems and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve the performance, features and reliability of our solutions in response to competitive services and product offerings. The emergence of alternative platforms such as smart phones and tablets and the emergence of niche competitors who may be able to optimize products, services or strategies for such platforms will require new investment in technology. New developments in other areas, such as cloud computing, could also make it easier for competition to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner.

***Our ability to develop successful website enhancements is a significant component of our business strategy and a failure to do so could harm our business.***

We developed a new platform for our e-commerce shopping portals to better provide our online shoppers with an enjoyable experience. We launched our new portal in the third quarter of fiscal 2016. Our ability to succeed in enhancing our sites and other offerings may require significant resources and management attention. The success of new and enhanced products depends on several factors, including our ability to develop and complete these introductions in a timely manner, successfully promote the portals, manage the risks associated with the enhancements, make sufficient resources available to support them, secure appropriate intellectual property rights and address any quality or other defects in the early stages of introduction. Despite the allocation of resources, there can be no assurance that the new enhancements or product offerings will be developed successfully, timely released, or accepted by our customers.

***Our establishment and integration of our Ominto.com platform could result in the diversion or loss of resources, operating difficulties and other harmful consequences.***

We launched our new Ominto.com Cash Back platform in the third quarter of fiscal 2016. Our new platform will offer enhanced features which will also become available on our DubLi.com white label site. Establishing an enhanced platform may be time consuming, difficult and more expensive than our budgeted projections. There are no assurances that the Company will recoup any of the expenditures with respect to establishing the new platform. The new platform allows us to more efficiently offer both white label and co-branded sites to our business clients. We believe that expansion of our business clients' sites will be material to our financial condition and results of operations. We expect to acquire new Ominto.com shoppers in large quantities based upon certain existing relationships of our newer business clients who wish to establish white label sites for their customers. We may face:

- diversion of management time, as well as a shift of focus from operating the business to issues related to integration and administration;

- the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries;
- problems enhancing the operations, technologies or products;
- unanticipated costs; and
- adverse effects on existing business relationships with merchants, customers and Business Associates.

Moreover, we may not realize the anticipated benefits of the enhancements to our shopping platform and expansion of our business client sites, or may not realize them in the expected time frame.

***Acquisitions and joint ventures could result in operating difficulties, dilution, and other harmful consequences.***

We expect to continue to evaluate and consider a wide array of potential strategic transactions, including business combinations, technologies, services, products and other assets. At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to our financial condition and results of operations. The process of integrating any acquired business may create unforeseen operating difficulties and expenditures and is itself risky. The areas where we may face difficulties include:

- diversion of management time, as well as a shift of focus from operating the businesses to issues related to integration and administration, particularly given the varying scope of our recent acquisitions;
- declining employee morale and retention issues resulting from changes in, or acceleration of, compensation, or changes in Management, reporting relationships, future prospects, or the direction of the business;
- the need to integrate each company's accounting, management, information, human resource and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented;
- the need to implement controls, procedures and policies appropriate for a public company at companies that prior to acquisition had lacked such controls, procedures and policies;
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political, and regulatory risks associated with specific countries;
- in some cases, the need to transition operations, users, and customers onto our existing platforms;
- problems combining the purchased operations, technologies or products;
- unanticipated costs;
- adverse effects on existing business relationships with online retailers and customers;
- risks associated with entering markets in which we have no or limited prior experience;
- potential loss of key employees of purchased organizations; and
- liability for activities of the acquired company before the acquisition, including violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities.

Moreover, we may not realize the anticipated benefits of any or all of our transactions, or may not realize them in the expected time frame. Future acquisitions or mergers may require us to issue additional equity securities, spend our cash, or incur debt, liabilities, and amortize expenses related to intangible assets or write-offs of goodwill, any of which could reduce our profitability and harm our business.

In addition, we may make certain investments, including through joint ventures, in which we have a minority equity interest and lack management and operational control. These investments may involve risks. For example, the controlling joint venture partner in a joint venture investment may have business interests, strategies or goals that are inconsistent with our business decisions or other actions or omissions of the controlling joint venture partner or the joint venture company may result in harm to our reputation or adversely affect the value of our investment in the joint venture.

### **Risks Specific to our DubLi Network Business**

#### ***Our DubLi Network operates in a highly competitive niche.***

Within the direct selling channel, we compete on a regional and often country-by-country basis with our direct marketing competitors. We compete within a distinct business model where providing a compelling earnings opportunity for our Business Associates is as critical as developing and marketing new and innovative products. Therefore, in contrast to a typical company which operates within a broad-based consumer pool, we must first compete for a limited pool of Business Associates before we reach the ultimate consumer.

Direct sellers compete for representative or entrepreneurial talent both by their product or service and by providing a competitive earnings opportunity that is more compelling than that offered by the competition. Our competitors regularly offer field incentives such as trips and other bonuses. Our competitors devote substantial effort to determining the effectiveness of field incentives so that they can invest in incentives that are the most cost effective or produce greater payback. We are not currently offering field incentives. We are and expect to continue to be subject to significant competition for the recruitment of Business Associates from other direct selling or network marketing organizations. We are always enhancing our direct selling model as well as recruiting new Business Associates. If we are unable to do so our business will be adversely affected.

#### ***Success of our DubLi Network business is dependent on the ability and productivity of our Business Associates.***

Our DubLi.com revenues are generated through the efforts of our network of Business Associates (our independent marketing representatives) whose drive individual consumer traffic and business client's customers traffic to the DubLi.com shopping site. DubLi.com is the product of DubLi Network and, as such, requires the network to penetrate consumer registrations. To increase our revenues, we must increase the productivity of this network. Therefore, our success depends, in significant part, upon our ability to recruit, educate, retain and motivate our Business Associates and their ability to expand their organization network and to generate customers who shop at our shopping portal. Our operating results could be harmed if our existing and new business opportunities do not generate sufficient interest to retain and motivate existing Business Associates and attract new Business Associates; or if we fail to educate them about our products in ways that ensure their success or if we fail to properly support them in their efforts.

The primary way we recruit new Business Associates is through a network marketing strategy. The success of a network marketing force is highly dependent upon our ability to offer a viable product, education, commission structure and sales incentive program that enables our Business Associates to recruit and develop other Business Associates. To compete with other network marketing organizations, we may be required to increase our cost of revenues and marketing costs through increases in commissions, sales incentives or other features, any of which could adversely impact our future earnings. We may experience a high rate of turnover among Business Associates, which is a characteristic of the network marketing business. The loss of a significant number of Business Associates for any reason could negatively impact sales and could impair our ability to attract new Business Associates. In addition, the level of confidence of the Business Associates in our ability to perform is an important factor in maintaining and growing our Business Associate network. Adverse publicity or negative financial developments concerning the Company could adversely affect our ability to maintain the confidence of our Business Associates.

***Our Business Associates may not comply with our policies and procedures.***

Our Business Associates are independent contractors and, accordingly, we are not in a position to directly provide the same direction, motivation and oversight as we would if the Business Associates were employed by the Company. As a result, there can be no assurance that our Business Associates will participate in our marketing strategies or plans or comply with our Business Associate policies and procedures and terms and conditions.

Extensive federal, state and local laws regulate our business and network marketing program. Because we conduct operations in foreign countries, our policies and procedures for our Business Associates may differ due to the different legal requirements of each country in which we do business. While we have implemented Business Associate policies and procedures designed to govern Business Associate conduct and to protect the goodwill associated with our trademarks and trade names, it can be difficult to enforce these policies and procedures because of the large number of Business Associates and their independent status. Violations by our independent Business Associates of applicable law or of our policies and procedures in dealing with customers could reflect negatively on our operations and harm our business reputation. In addition, it is possible that a court could hold us civilly or criminally accountable based on vicarious liability because of the actions of our independent Business Associates.

***Our network marketing program could be found to be not in compliance with current or newly adopted laws or regulations in one or more markets.***

Our DubLi Network marketing program is subject to a number of federal and state regulations administered by the Federal Trade Commission, or FTC, and various state agencies in the United States, as well as regulations on direct selling in foreign markets administered by foreign agencies. We are subject to the risk that, in one or more markets, our network marketing program could be found not to comply with applicable law or regulations. Regulations applicable to network marketing organizations generally are directed at preventing fraudulent or deceptive schemes, often referred to as “pyramid” or “chain sales” schemes, by ensuring that product sales ultimately are made to consumers and that advancement within an organization is based on sales of the organization’s products rather than investments in the organization or other non-retail sales-related criteria. The regulatory requirements concerning network marketing programs do not include “bright line” rules and are inherently fact-based, and thus, even in jurisdictions where we believe that our network marketing program is in full compliance with applicable laws or regulations governing network marketing systems, we are subject to the risk that these laws or regulations or the enforcement or interpretation of these laws and regulations by governmental agencies or courts can change. The failure of our network marketing program to comply with current or newly adopted regulations could negatively impact our business in a particular market or in general.

***Our ability to conduct a Network Marketing business in international markets may be affected by political, legal, tax and regulatory risks.***

We intend to expand our international penetration with our DubLi Network business. Our ability to capitalize on new international markets and to maintain the current level of operations in our existing international markets is exposed to risks associated with our international operations including, among others:

- the possibility that a foreign government might ban or severely restrict our business method of direct selling;
- the possibility that a government authority might impose legal, tax or other financial burdens on our Business Associates, as direct sellers, or on DubLi Network, due, for example, to the structure of our operations in various markets;
- the possibility that a government authority might challenge the status of our Business Associates as independent contractors or impose employment or social taxes on our Business Associates;
- unexpected changes in regulatory requirements; or
- the burden and administrative costs of complying with a wide variety of foreign laws.

## **Risks Relating to Our Stock**

### ***We are significantly influenced by one stockholder who controls a substantial voting percentage of our common stock.***

As of December 15, 2016, Mr. Hansen owns approximately 2.9 million shares of common stock and 185,000 shares of Super Voting Preferred Stock entitled to 40 votes per share, collectively representing approximately 41% of the voting power of the Company's issued and outstanding voting securities. Accordingly, Mr. Hansen has the power to influence or control the outcome of important corporate decisions or matters submitted to a vote of our stockholders. Although Mr. Hansen owes the Company certain fiduciary duties as Director and CEO of the Company, the interests of Mr. Hansen may conflict with, or differ from, the interests of other holders of our common stock. So long as Mr. Hansen has the power to vote a substantial percentage of shares of our voting securities, he will have the power to significantly influence all our corporate decisions and will be able to affect or inhibit changes in control of the Company.

### ***Our stock price is volatile.***

The market price of our common stock is highly volatile, and this volatility may continue. For instance, during fiscal 2015 and fiscal 2016, the low and high sale price of our common stock, as reported on the markets on which our securities have traded, ranged between \$1.60 and \$14.00. In November, 2015, we effectuated a 1 for 50 reverse stock split which was previously approved by the Board of Directors. Numerous factors, many of which are beyond our control, may cause the market price of our shares of common stock to fluctuate significantly. These factors include:

- our earnings releases, actual or anticipated changes in our earnings, fluctuations in our operating results or our failure to meet the expectations of financial market analysts and investors;
- changes in financial estimates by us or by any securities analysts who might cover our stock;
- speculation about our business in the press or the investment community;
- significant developments relating to our relationships with our Business Associates, business clients, customers or merchants;
- stock market price and volume fluctuations of other publicly traded companies and, in particular, those that are in the e-commerce based industry;
- customer demand for our products;
- general economic conditions and trends;
- major catastrophic events;
- changes in accounting standards, policies, guidance, interpretation or principles;
- loss of external funding sources;
- sales of our common stock, including divestments by our directors, officers or significant stockholders;
- additions or departures of key personnel;
- announcements of new products or product enhancements by us or our competitors;
- our ability to obtain financing;

- developments in our or our competitors' intellectual property rights;
- failure to meet the expectation of securities analysts or the public;
- our ability to expand our operations, domestically and internationally;
- the amount and timing of expenditures related to any expansion;
- litigation involving us, our industry or both;
- actual or anticipated changes in expectations by investors or analysts regarding our performance; and
- price and volume fluctuations in the overall stock market from time to time.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. Our stock price is volatile and we could be a target of stockholder litigation. Any stockholder litigation brought against us in the future could result in substantial costs and divert our management's attention and resources from our business.

Moreover, securities markets may from time to time experience significant price and volume fluctuations for reasons unrelated to operating performance of particular companies. These market fluctuations may adversely affect the price of our shares of common stock and other interests in our Company at a time when you want to sell your interest in us.

***We have significant "equity overhang" which could adversely affect the market price of our common stock and impair our ability to raise additional capital through the sale of equity securities.***

As of September 30, 2016, we had 13,386,538 shares of common stock outstanding. Additionally, as of September 30, 2016, 1.6 million shares of our common stock were issuable upon exercise, conversion, or vesting of outstanding options, stock grants, shares issuable for the payment of services. The possibility that substantial amounts of our common stock may be sold by investors or the perception that such sales could occur, often called "equity overhang," could adversely affect the market price of our common stock and could impair our ability to raise additional capital through the sale of equity securities in the future.

***The rights of the holders of common stock may be impaired by the potential issuance of preferred stock.***

Our Board has the right, without stockholder approval, to issue shares of preferred stock with voting, dividend, conversion, liquidation or other rights. This could adversely affect the voting power and equity interest of the holders of common stock which could be issued with the right to more than one vote per share, and could be utilized as a method of discouraging, delaying or preventing a change of control. Michael Hansen, the Company's President and CEO, owns 185,000 shares of "Super-Voting Preferred Stock" which entitles him to 40 votes per share of Super Voting Preferred Stock or 7.4 million votes of common stock.

The power to issue additional shares of preferred stock or common stock could, in some situations, have the effect of discouraging and/or rendering more difficult a merger, tender offer, proxy contest or any other attempt to obtain control of the Company. This may limit the opportunity for stockholders to dispose of their shares at the higher price generally available in takeover attempts or that may be available under a merger proposal. Although we have no present intention to issue any additional shares of preferred stock or to create any new series of preferred stock, we may issue such shares in the future.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None

## **ITEM 2. DESCRIPTION OF PROPERTY**

The Company's facilities currently consist of leased properties in the following two domestic locations: (i) in Boca Raton, Florida for its headquarters office for a 39-month term expiring March 31, 2019, and (ii) in Kirkland, Washington on a month-to-month basis until December 31, 2016.

Our corporate headquarters is located at 1515 S. Federal Highway, Suite 307, Boca Raton, Florida 33432.

As part of the plan to relocate its worldwide headquarters from Bellevue, Washington to Boca Raton Florida, Ominto agreed to expand the Boca Raton headquarters in June 2016 and extended the term of its lease. The premises which currently are deemed to contain Two Thousand Six Hundred Thirty (2,630) rentable square feet (the "Premises") shall be increased by Two Thousand Nine Hundred Thirty Seven (2,937) rentable square feet known as suite 308 so that following said increase, the Premises shall be deemed to contain Five Thousand Five Hundred Sixty Seven (5,567) rentable square feet. Beginning June, 2016, the Base Rental to be paid by the Company for the Premises shall remain as set forth in the original Lease currently payable in the amount of Eighteen and 50/100 Dollars (\$18.50) per rentable square foot per annum (plus Common Area Maintenance ("CAM"), sales tax and a 3% increase per annum).

In an effort to reduce overhead, the Company's facilities in Portland, Oregon; Draper, Utah; Denver, Colorado and Bellevue, Washington were all closed prior to September 30, 2016. Lease termination charges totaled approximately \$72,000 during fiscal year 2016.

We believe that all leased facilities are in good operating condition, the facilities are suitable for their intended purposes and they have capacities adequate for current operations.

### *Land*

The Company owns a land parcel consisting of 15 undeveloped lots in the Cayman Islands which was acquired in March 2010. The investment in the land parcel is intended to provide incentive rewards to the best performing DubLi Network Business Associates upon attaining certain performance objectives. We have not awarded any lots to date.

## **ITEM 3. LEGAL PROCEEDINGS**

In the ordinary course of business, the Company and its subsidiaries including its directors and officers may be defendants in or parties to pending or threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. When applicable, we record accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. In addition to the matters described herein, we are involved in or subject to, or may become involved in or subject to, routine litigation, claims, disputes, proceedings and investigations in the ordinary course of business, which in our opinion will not have a material adverse effect on our financial condition, cash flows or results of operations.

## **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 for Our Common Stock*

Our common stock, par value \$0.001, is currently quoted on the OTC Pink under the symbol "OMNT" (formerly "DUBL" until July 1, 2015). Until January 1, 2013, our shares of common stock were quoted on the OTCBB.

The following table sets forth, for the periods indicated, the high and low sales prices per share of our common stock as reported by the OTC Pink Marketplace. The prices below reflect inter-dealer prices, without retail mark-up, markdown or commission, and may not represent actual transactions.

#### *Closing Bid Prices :*

<b>Fiscal Year 2015</b>	<b>High</b>	<b>Low</b>
First Quarter ended December 31, 2014	14.00	5.00
Second Quarter ended March 31, 2015	11.50	7.00
Third Quarter ended June 30, 2015	11.50	5.50
Fourth Quarter ended September 30, 2015	9.50	4.50
<b>Fiscal Year 2016</b>		
First Quarter ended December 31, 2015	14.00	8.00
Second Quarter ended March 31, 2016	9.70	5.00
Third Quarter ended June 30, 2016	3.60	1.60
Fourth Quarter ended September 30, 2016	6.50	2.30

On November 6, 2015, we effectuated a 1-for-50 reverse stock, which was previously approved by our Board of Directors. All issued and outstanding common stock, options for common stock, restricted stock awards, warrants, and convertible debt, and per share amounts have been retroactively adjusted to reflect this Reverse Stock Split for all periods presented. The par value of the common stock and Super-Voting Preferred was not adjusted as a result of the Reverse Stock Split. The Reverse Stock Split reduced the Company's authorized shares from 700 million shares to 14 million shares. The voting and conversion rights of the Super-Voting Preferred have been retroactively adjusted to reflect this Reverse Stock Split for all periods presented. As of December 15, 2016, the last sales price reported on the OTC Pink Marketplace for our common stock was \$3.28 per share. Also refer to the Subsequent Events section on page 43.

#### *Stockholders*

At September 30, 2016, there were approximately 3,497 stockholders of record of our common stock.

#### *Dividends*

We have not declared any cash dividends on our shares of common stock since our inception and do not anticipate paying any dividends in the foreseeable future. We plan to retain all future earnings for use in our business. Any decisions as to future payment of dividends will depend on our earnings, financial position and other factors that the Board deems relevant.

### ITEM 6. SELECTED FINANCIAL DATA

Not Applicable.

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

*The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed under Risk Factors above and elsewhere in this report.*

### **Overview**

Ominto is a global e-commerce company that owns and operates global online shopping and loyalty websites along with a network marketing subsidiary, DubLi Network. Ominto and its DubLi Network subsidiary currently serve customers in more than 100 countries. Through Ominto's unique e-commerce platform, shoppers can browse through different categories of products, which feature international and local brands, travel, coupons, discounts and vouchers and receive Cash Back on their purchases ("Cash Back"). Depending on the market, Ominto's websites feature some of the world's most popular local and global brands including Amazon.in®, Wal-Mart®, Nike®, Hotels.com®, Groupon™ and Expedia®. Ominto receives a commission each time shoppers make a purchase on its shopping portal and a portion of those commissions are passed along to our customers in the form of Cash Back.

At Ominto owned and operated shopping websites, consumers shop at the same online stores they normally frequent and earn Cash Back with each purchase. The Company's personalized shopping platform is used to deliver coupons, deals, and Cash Back to shoppers each time they return to the personalized platform to shop online. Ominto builds its shopping networks by contracting with third parties, called Affiliate Networks, who have relationships with thousands of global, online merchants and travel booking sites. Our new Ominto.com website, which was launched in the third quarter of fiscal 2016, powers and operates the DubLi.com website which serves customers in over 100 countries. The enhanced Ominto platform recognizes each customer's preferred shopping locations and delivers a tailored shopping experience including preferred stores, language, currency and deals as well as relevant direct marketing messages.

The recently launched Ominto platform will offer a sophisticated level of personalization rarely seen in the online Cash Back shopping industry. We will have the ability to personalize the customer's experience based on the customer's activities on the shopping portal as well as the consumer's indicated interest preferences. As the customer's activities increase on our shopping portals over time, the level of personalization of the customer's experience also increases. By offering a shopping experience that becomes more customized with each subsequent activity on the site, we are able to increase customer loyalty which is paramount to differentiating ourselves in the competitive landscape of the Cash Back industry.

Ominto is expanding its offerings of customized shopping websites to business clients ("Partners") in its Partner program. We expect to create new revenue through membership fees and maintenance fees arising from new sites designed for our Partners. Ominto will continue to offer its co-branded websites to Partners, both as a selling tool for DubLi Network Business Associates (our independent marketing associates for the DubLi Network) and for new Partners that are obtained by and in conjunction with the in-house partner support group. Our co-branded shopping websites allow our business clients to offer their own customers the ability to earn Cash Back. We believe that Partners can enhance their own customers' loyalty while monetizing their customer database. Our customized Cash Back websites give our Partners an ability to leverage their relationships with more than their customers; they can add employees, investors and donors to the shopping website as well. Our portals will assist our business customers in engaging their customers on their shopping website with seasonal promotional messaging, email campaigns and banner advertisements. Business customers will direct their consumer members/constituents to their own branded websites, which is the consumer-facing component of Ominto.com's e-commerce platform. The enhanced online shopping experience helps connect us and our business clients to their large and engaged customer base.

Ominto operates the DubLi Network through a wholly-owned subsidiary. DubLi Network is a direct sales and network marketing ecosystem that drives consumer traffic to DubLi.com, DubLi Network's online shopping portal product that leverages our unique online Cash Back shopping platform. DubLi.com enables its visitors to purchase products offered by various online stores, including consumer products, travel related-products and services and then receive Cash Back rewards. Following the launch of Ominto.com in the third quarter of fiscal 2016, Ominto.com's platform powers DubLi.com's platform and other business customers' customized shopping websites. DubLi Network offers licensing packages and membership packages to independent marketing representatives known as Business Associates ("BAs"). Many of our BAs have been with Ominto since its inception. We believe DubLi Network has become one of the largest direct selling e-commerce companies in the world.

### **Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board, ("FASB"), issued Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU 2014-09 is effective for annual periods beginning after December 15, 2017 and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted as of the effective date. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15 *Presentation of Financial Statements—Going Concern (Subtopic 205-40)* ("ASU 2014-15"). ASU 2014-15 requires that for each annual and interim reporting period, an entity's management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). The amendments in ASU 2014-15 are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.



In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs (“ASU-2015-03”). ASU 2015-03 requires companies to present debt issuance costs as a direct deduction from the carrying value of that debt liability. ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is allowed for financial statements that have not been previously issued. Entities would apply the new guidance retrospectively to all prior periods (i.e., the balance sheet for each period is adjusted). The adoption of this standard is not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires that lessees recognize right-of-use assets and lease liabilities for any lease classified as either a finance or operating lease that is not considered short-term. The accounting applied by lessors is largely consistent from the existing lease standard. ASU 2016-02 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2018. Lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We have obligations under lease agreements for facilities, which are classified as operating leases under the existing lease standard. We are still evaluating the impact ASU 2016-02 will have on the consolidated results of operations, financial condition, and cash flows.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax consequences and classifications. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (“ASU 2016-08”), in April 2016 issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* (“ASU 2016-10”), and in May 2016, issued ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting* (“ASU 2016-11”). ASU 2016-08 clarifies principal versus agent considerations relating to when another party, along with the entity, is involved in providing a good or service to a customer. ASU 2016-08 requires an entity to determine whether the nature of its promise is to provide a good or service to a customer, or to arrange for the good or service to be provided to the customer by the other party. This determination is based upon whether the entity controls the good or service before it is transferred to the customer. When the entity that satisfies a performance obligation is the principal, the entity recognizes the gross amount of consideration as revenue. When the entity that satisfies the performance obligation is the agent, it recognizes the amount of any fee or commission as revenue. ASU 2016-10 clarifies the guidance in Topic 606 for identifying performance obligations in a contract as well as the implementation guidance pertaining to revenue recognition related to licensing arrangements. ASU 2016-11 rescinds several SEC Staff Announcements that are codified in Topic 605, including, among other items, guidance relating to accounting for consideration given by a vendor to a customer, as well as accounting for shipping and handling fees and freight services. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements.

In May 2016, the FASB also issued ASU 2016-12, *Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients* (“ASU 2016-12”), which provides clarification on certain topics within ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), including assessing collectability, presentation of sales taxes, the measurement date for non-cash consideration and completed contracts at transition, as well as providing a practical expedient for contract modifications at transition. The effective date and transition requirements for the amendments in ASU 2016-08, ASU 2016-10 and ASU 2016-12 are the same as the effective date and transition requirements of ASU 2014-09, which is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017. The Company is evaluating the expected adoption method and potential effect of these ASUs on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, *Investments-Equity Method and Joint Ventures (Topic 323: Simplifying the Transition to the Equity Method of Accounting)* (“ASU 2016-07”). ASU 2016-07 eliminates the requirement that an investor retrospectively apply the equity method of accounting when an investment becomes qualified for the equity method of accounting as a result of an increase in the level of ownership or degree of influence. ASU 2016-07 requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. ASU 2016-07 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016, on a prospective basis, with early adoption permitted. The Company does not expect that this ASU will have a material effect on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). ASU 2016-15 reduces diversity in practice by providing guidance on the classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-15 clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. ASU 2016-15 is effective on a retrospective basis for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

In October 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control* (“ASU 2016-17”). ASU 2016-17 changes how a reporting entity considers indirect interests held by related parties under common control when evaluating whether it is the primary beneficiary of a VIE. ASU 2016-17 is effective on a retrospective basis for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* (“ASU 2016-16”), which eliminates the existing exception in U.S. GAAP prohibiting the recognition of the income tax consequences for intra-entity asset transfers. Under ASU 2016-16, entities will be required to recognize the income tax consequences of intra-entity asset transfers other than inventory when the transfer occurs. ASU 2016-16 is effective on a modified retrospective basis for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

#### *Foreign Currency*

Financial statements of foreign subsidiaries operating in other than highly inflationary economies are translated at period-end exchange rates for assets and liabilities and historical exchange rates during the period for income and expense accounts. The resulting translation adjustments are recorded within accumulated other comprehensive income or loss. Financial statements of subsidiaries operating in highly inflationary economies are translated using a combination of current and historical exchange rates and any translation adjustments are included in current earnings. Gains or losses resulting from foreign currency transactions are recorded in operating expense. The Company has no subsidiaries operating in highly inflationary economies.

In accordance with Accounting Standards Codification (“ASC”) 830, *Foreign Currency Matters*, companies with foreign operations or foreign currency transactions are required to prepare the statement of cash flows using the exchange rates in effect at the time of the cash flows. The Company uses an appropriately weighted average exchange rate for the period for translation if the result is substantially the same as if the rates at the dates of the cash flows were used. The condensed consolidated statement of cash flows reports the effect of exchange rate changes on cash balances held in foreign currencies as a separate part of the reconciliation of the change in cash and cash equivalents during the year.

During the years ended September 30, 2016 and 2015, our revenues from continuing operations were generated primarily from (a) business license fees paid by BAs and Partner Program business customers who established customer websites for their own customers; (b) membership subscription fees from BAs and their customers' VIP membership packages; (c) commission income from participating online stores affiliated with our online shopping portal arising from the purchase transactions our customers generated; and (d) advertising and marketing programs.

Our revenues from discontinued operations for the year ended September 30, 2016 were recognized from Credits breakage associated with inactive BAs from our discontinued reverse auction program which previously sold "Credits" (rights to make bids in our auctions) that were designed to offer savings on the customer's purchases.

The components of revenues for the year ended September 30, 2016 are summarized as follows:

*E-commerce and Memberships:*

Business License Fees	\$ 2,896,616
Membership Subscription Fees and Commission Income	14,261,671
Advertising and Marketing programs	151,066
Other	387,109
	<u>17,696,462</u>
Discontinued Operations	30,581
Total revenues	<u>\$ 17,727,043</u>

*E-commerce and memberships:*

We offer our shoppers a free membership and a paid VIP membership that allows them to earn varying amounts of Cash Back from the purchases that they make online through our shopping sites. We discontinued the Premium membership package in March 2015. The VIP membership subscription package allows our customers to earn a higher percentage of Cash Back on their purchases with an annual subscription fee.

Ominto has relationships with thousands of online stores and travel companies from around the world that pay us a commission, usually as a percentage of sales, based on the sales price of the products purchased by consumers that we have directed to their sites. Ominto, in turn, returns some of these commissions to the shopper as Cash Back. The merchants participate in our shopping mall to incentivize customers to shop with them. Cash Back amounts are clearly stated throughout the website. The Cash Back percentage varies from store to store, and on the type of membership the consumer has obtained from us. Our business clients and BAs earn a commission from us, based on these purchase transactions generated by their referred customers.

*Multiple-element arrangements :*

When DubLi Network sells business licenses, VIP membership vouchers, training and certification programs and marketing programs to BAs in bundles, the transaction price is allocated to each component of Revenue in proportion to the stand-alone selling price. Stand-alone selling price is based on vendor-specific objective evidence ("VSOE") of fair value. VSOE of fair value is determined based on the price charged where each deliverable is sold separately or a price set by management with the relevant authority.

*Licensing fees:*

We require each of our DubLi Network BAs to purchase an initial business license from us to begin his/her or its sales of DubLi's products. For-profit business clients are required to pay an initial registration fee. Effective April 2014 the monthly maintenance fee was replaced by a mandatory minimum purchase requirement (Refer to the 'Revenue Recognition' paragraph on page 39 below); our BAs were required to purchase our membership products for resale in the form of qualifying vouchers or membership packages for BAs or membership packages for DubLi.com's customers as described below. Our for-profit business clients typically pay a monthly maintenance fee to continue access to their co-branded websites.

### *Our business:*

We intend to cost effectively increase our revenues to become profitable through several initiatives. We are improving the appeal and usability of our shopping portals, which we believe will increase shopper purchases on the portals. To that end, we have redesigned the portal and launched our new portal in the third fiscal quarter of 2016. Given the significant expansion of purchases made from mobile devices, we have developed a mobile app. The new site will allow us to offer a site that is easier to use, more responsive to each shopper's preferences and a personalized shopping experience. We expect these features to increase each shopper's number of visits to and use of our shopping site.

The quality of the merchants available on our site is essential to our success, and the number and quality of our participating merchants has improved as our business has matured. We expect the number and type of merchants to remain similar to our current merchant offerings. Of course, we will continue to add new countries to our site, with an emphasis on the Pacific Rim and India, and we will concurrently add local merchants. More important, we have expanded our internal Affiliate Network team so that we can offer localized and specialized advertisements to both improve the value we offer our members and increase our revenues. We will continue to refine our advertising offerings to best maximize benefits to our merchants and to our members.

During the periods reported, we depended primarily on our BAs to market the portal to shoppers and to business clients. Our focus has shifted to obtaining business clients, and, through these business clients, obtaining individual shoppers in large numbers. We have a new in-house partnership program team that markets customized shopping portals to business clients with a customer base over 50,000. The value proposition to the business client includes both commissions and an opportunity to enhance relations with its own consumers by offering them our valuable Cash Back service.

We recognize that to realize the full benefit of our business clients we need to provide on-going client assistance. Our larger business clients will be assisted in engaging their constituents on the site, which we believe will markedly increase the constituent members' use of our site. Similarly, we are also finalizing a new training program for our most successful BAs to learn how to improve selling and account management capabilities, including showing them how to teach business clients with a customer base in excess of 10,000 to engage with their own members. These new efforts to engage customers of business clients have no prior period comparisons. Our success from these programs will be derived from the number of members added, retention of business customers' members, and how much those new members engage with our site, as opposed to, for example, the number of BAs participating in our business or the total number of members enrolled from all sources. Our new site, as well as our current and upcoming efforts to engage business clients' constituent members, will allow us to focus on and emphasize the most successful methods of customer engagement. We do not believe that a comparison of the number of business customers, members, business associates or their historical retention rates will be helpful in understanding our new business model or the future success of our business.

We plan to offer free Ominto apps in the iOS App Store and Google Play Store to strengthen our brand awareness and provide an even more convenient shopping experience for our shoppers. This initiative will leverage the desire of many mobile device owners for mobile apps rather than mobile websites. In addition, the mobile app will allow us to offer localized coupons and specials on a real-time basis to our customers. We will also be able to ensure that mobile sales and commissions owed to our shoppers are accurately tracked.

### *Trends in Our Business*

We continue to focus our resources on potentially more profitable programs related to our e-commerce shopping site. We believe that shopping transactions continue to shift from traditional brick and mortar to online retailers as the digital economy evolves. This shift enables us to grow revenues. However, our revenue growth rate to date may not be sustainable due to factors, including increasing competition, and increasing maturity of the online shopping market. We plan to continue to invest in our shopping platform and increase our customer base through Partner programs and our growing global network of BAs, but cannot provide any assurance that such investments will result in increased revenues or net income.

In order to increase the sale of our Cash Back products, we are working to add dedicated white-label and co-branded Cash Back shopping sites through Partner programs that include both for-profit and non-profit organizations which we believe will increase the number of shoppers purchasing VIP memberships through our shopping platform. Such Partners offer these shopping sites to their own customers. We believe this will increase the number of shoppers purchasing products and services through our sites. We have also begun to implement incentive offerings to further engage shoppers when visiting our sites to increase revenues from commissions as well as to introduce new advertising programs to increase our advertising revenues from our participating online merchants.

Traditional retail seasonality has affected our results of operations, and is likely to continue to do so. Online shopping generally decreases during the summer months, and shopping (whether traditional or e-commerce) typically increases significantly during the holiday season in the fourth quarter of each calendar year. These seasonal trends have caused, and will likely continue to cause fluctuations in our quarterly results.

Increasing our revenues requires investment in information technology infrastructure and human resources. We expect Partner Programs and expanding our merchant base further in local markets and into new markets and countries to be an important component in our business strategy. We expect that the gross cost of revenues will increase and may also increase as a percentage of revenues in future periods, primarily due to forecasted increases in costs, including customer acquisition costs, data center costs, credit card and other transaction fees and content acquisition costs.

As we expand our shopping platform and register new BAs and Partner Programs in additional international markets, we continue to increase our exposure to fluctuations in foreign currency to US dollar exchange rates.

## Results of Operations

### Organization of Information

This section provides a narrative on our financial performance and condition, which should be read in conjunction with our consolidated financial statements and the accompanying notes included elsewhere in this Annual Report and includes use of estimates and critical accounting policies, results of operations, liquidity and capital resources, and subsequent events. Operating results are not necessarily indicative of results that may occur in future periods.

## COMPARISON OF FISCAL YEAR ENDED SEPTEMBER 30, 2016 TO FISCAL YEAR ENDED SEPTEMBER 30, 2015

### Consolidated Results

Revenues for the 2016 fiscal year decreased to \$17.7 million in fiscal year 2016 from \$21.3 million in fiscal year 2015. The decrease was primarily a result of decreased sales of VIP memberships, commission income from purchases on the portal and advertising and marketing revenue due primarily to the delay in the launch of our new Ominto platform until the third quarter of 2016. Gross income decreased to \$6.9 million in fiscal year 2016 from \$8.2 million in fiscal year 2015 as a result of the lower sales mentioned above, offset by lower cost of revenue from lower commission expenses as a percent of revenue. The loss from continuing operations decreased to \$10.3 million in fiscal year 2016 from \$12.2 million in fiscal year 2015 primarily as a result of a decrease of \$4.0 million in non-cash equity compensation and a \$509,000 decrease in the fair value of a derivative liability partially offset by an increase of \$1.5 million in Rent and office expenses. Expenses are described in more detail below. Net losses for the years ended September 30, 2016 and 2015 were approximately \$10.3 million and \$11.7 million, respectively.

### Continuing Operations

Selling, general and administrative (“SGA”) expenses were approximately \$17.5 million and \$19.6 million for the years ended September 30, 2016 and 2015, respectively. Costs were lower due to lower non-cash equity compensation. Payroll costs for fiscal year 2016 included \$3.1 million in non-cash equity compensation compared to \$7.1 million in fiscal year 2015. Rent and Office expenses increased due to lease terminations expenses for several facilities closed during the 2016 fiscal year and to expanded facilities at our new Boca Raton headquarters. Other increases included higher outside service fees for offshore staff and higher banking and processing fees. Details of our SGA expenses are summarized as follows:

	For the Years ended		
	September 30,		
	2016	2015	Change
	(All amounts in \$ thousands)		
Advertising expenses	\$ 86	\$ 55	\$ 31
Depreciation	228	199	29
Outside service fees	3,851	2,924	927
Payroll costs	8,376	13,195	(4,819)
Rent and office expenses	2,553	1,008	1,545
Banking and processing fees	1,488	1,368	120
Foreign exchange	43	(143)	186
Travel expenses and others	829	986	(157)
<b>Total</b>	<b>\$ 17,454</b>	<b>\$ 19,592</b>	<b>\$ (2,138)</b>

We recorded impairment charges during the year ended September 30, 2015 of approximately \$324,000 to reduce the carrying values of our existing portal. Also in 2015 we recorded a \$409,000 charge to increase the fair value of a derivative liability related to warrants issued in connection with the convertible note.

We conduct business globally and report our results of operations in a number of foreign jurisdictions in addition to the United States. For the years ended September 30, 2016 and 2015, our reported income tax rate is lower than the US federal statutory rate primarily due to lower income tax rates in the foreign jurisdictions where we operate, and as a result of net income or losses for the respective years, the utilization of net operating loss carry-forwards and the valuation allowance against deferred tax assets.

#### *Discontinued Operations*

Net loss from discontinued operations was approximately \$31,000 during fiscal year 2016 compared to net income from discontinued operations of \$540,000 during year 2015. The decrease of approximately \$509,000 was primarily due to: (i) lower revenues recognized for unused credits associated with inactive Business Associates in fiscal year 2016 as compared to fiscal year 2015.

#### *Foreign Currency Translation Adjustment*

Our net revenues and related expenses generated from international locations are denominated in the functional currencies of the local countries, primarily in Euros. The results of operations and certain of our intercompany balances associated with our international locations are exposed to foreign exchange rate fluctuations. The consolidated statements of operations of our international subsidiaries are translated into US dollars at the average exchange rates in each applicable period. The average rate of the US dollar/€ strengthened from \$1.32 for fiscal year 2015 to \$1.12 for fiscal year 2016 thereby decreasing consolidated net revenues, operating expenses, and loss from continuing operations.

The closing exchange rates between the US dollar/Euro in effect were \$1.12 to 1.00€ at September 30, 2016 and \$1.32 to 1.00€ at September 30, 2015. The closing exchange rates between the AED/Euro in effect were AED 1.46 to 1.00€ at September 30, 2016 and AED 1.26 to 1.00€ at September 30, 2015. The closing exchange rates between the US dollar/Rupee in effect were \$1.00 to 66.23 INR at September 30, 2016 and \$1.00 to 66.66 INR at September 30, 2015.

For the year ended September 30, 2016, the foreign currency translation represented a loss of \$19,469 for the year ended September 30, 2016 and a gain of approximately \$1.3 million for the year ended September 30, 2015, due to lower fluctuations in currency exchange rates during fiscal year 2016.

#### *Liquidity and Capital Resources*

Our primary source of liquidity is from cash generated from equity financing and debt financing and short term advances. Our primary liquidity needs are for working capital, investments/acquisitions, and repayment of debt and advances.

The Company's Board of Directors and Executive Management reasonably believes that the Company will continue to exist to carry out all objectives, commitments, and stated goals for the immediate future. Profitability and positive cash flows from operations continue to improve. There is no significant information available to the contrary, as the company is currently able to meet all current and immediate obligations without substantial asset sales or restructuring. Also, with the introduction of the new operations platform and business model and the arrival of new Executive Management members, Management believes that the financial and business trends will continue to be positive for the foreseeable future. Furthermore, there are no known loan defaults, denial of trade credit from suppliers, and no known adverse legal proceedings that could materially affect the Company.

We continue to update our product offerings which places additional demands on future cash flows. Our future cash flow and capital requirements will depend on numerous factors including market acceptance of our future products, revenues generated from operations, the impact of competitive product offerings, and whether we are successful in acquiring additional customers on a large scale through partners. We intend to increase our marketing efforts in order to grow our network of BAs which we expect will improve sales of our e-commerce products. The marketing efforts will place additional demands on our cash flows. We cannot offer any assurance that we will be successful in generating revenues from operations; adequately dealing with competitive pressures; acquiring complementary products, technologies or business; or increasing our marketing efforts. Our plans for the long-term include generating cash flows from the profitable operation of our business and financing our operations through sales of our common stock and/or debt.

The Company had a working capital deficit (defined as current assets less current liabilities) of approximately \$9.6 million as of September 30, 2016.

We generated net cash flows from operating activities of approximately \$1.7 million during fiscal year 2016 consisting primarily of the positive effect of net changes in assets and liabilities.

We used net cash flows from investing activities of \$729,000 during fiscal year 2016 due to our capital expenditures.

We generated net cash flows from financing activities totaling \$5.0 million during fiscal year 2016. Our financing activities consisted primarily of (i) the sale of approximately 821,000 shares of our common stock to various investors for cash consideration totaling \$3.4 million and (ii) proceeds from convertible debt of \$1.4 million. And (iii) the exercise of warrants to purchase 100,000 shares of common stock totaling \$250,000.

On October 12, 2015, a foreign investor exercised warrants to purchase 100,000 shares of common stock at \$2.50 per share and paid consideration totaling \$250,000.

During November of 2015, the Company issued additional convertible notes in the amount of \$1.4 million bringing the total convertible notes outstanding to \$4.7 million, net of a discount of \$306,000. During November, 2015, the Company converted the carrying value of \$4.7 million of convertible notes, plus \$299,000 of interest owed to the holders into 800,000 shares of the Company's common stock at \$6.25 per share.

On January 15, 2016, we sold 26,533 shares of common stock at \$8.00 per share for total cash consideration of \$0.2 million to a private investor.

On February 19, 2016 and February 22, 2016, we sold a total of 40,002 shares of common stock at a price of \$3.75 per share for total cash consideration of \$150,000 to three of our independent directors.

During September 2016, the Company sold 754,954 shares of common stock at \$4.00 per share in unregistered private placement for total cash consideration of \$3.0 million to various investors.

As of September 30, 2016, private placement shares totaling 791,206 shares have not yet been issued due to certain administrative and documentation requirements. The shares are committed for issuance and are reflected as issued and outstanding on the books of the Company, but stock certificates were not issued as of September 30, 2016. The shares were included in the Company's basic and diluted weighted average shares computation for the year ended September 30, 2016. Certificates for these shares committed for issuance will be issued during fiscal year 2017.

In addition, 113,950 shares of common stock awarded to employees and Directors as compensation in lieu of salaries and Director fees were also committed for issuance, and are not yet recorded on the books of the Company at par, stock certificates were not issued due to certain administrative and documentation requirements and they were not included in the Company's basic and diluted weighted average shares computation for the year ended September 30, 2016. The Company recorded this obligation in Accounts Payable and Due to Related Party as of September 30, 2016. Certificates for these shares committed for issuance were issued on November 30, 2016.

Beginning in January 2016, we implemented a series of changes to streamline our organization and reduce monthly operating expenses. Our efforts focused on reducing staffing costs, transferring certain functions to lower cost locations, consolidating our operations to fewer locations, and reducing our efforts on activities not related to our core operations. These changes were designed to conserve our resources and allow for continued investment in the completion and launch of our new Ominto.com and its related DubLi.com technology platform. The new platform launched in May 2016. As of the date of this filing it is still too early to tell if the platform will lead to the revenue growth the Company anticipates.

Also refer to "Subsequent Events" section on page 43.

### **Cash in Foreign Subsidiaries**

The Company has significant operations outside the United States. As a result, cash generated by and used in the Company's foreign operations is used only in amounts sufficient to pay general and administrative expenses in the US, or to fund certain US operational costs. As of September 30, 2016, the Company held approximately \$8.4 million of unrestricted and approximately \$1.0 million of restricted cash in foreign subsidiaries.

Should foreign cash be repatriated, the Company will be subject to US tax at the applicable US federal statutory rate on the amount treated as a dividend for US income tax purposes. Dividend treatment will largely be the result of the collective financial position of the foreign subsidiaries at the time of repatriation. Any US income tax attributable to repatriated earnings may be offset by foreign income taxes paid on such earnings. Due to the significance of our foreign operations, the Company does not presently foresee a need to repatriate foreign cash in excess of our US funding needs.

### ***Use of Estimates and Critical Accounting Policies***

#### *Management's use of estimates and assumptions*

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America required management to make estimates, judgments and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities, deferred liabilities and accruals for incentive awards at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Examples, though not all-inclusive, of such items include estimates and assumptions for loss contingencies, depreciation or amortization of the economic useful life of an asset, stock-based compensation forfeiture rates, fair values, impairments of investment and other assets, potential outcomes of future tax consequences of events that have been recognized in our consolidated financial statements or tax return, incentive awards and deferred liabilities. We based our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may materially differ from these estimates.

## *Critical Accounting Policies*

The following items in our consolidated financial statements required significant estimates and judgments:

### *Property and Equipment*

Property and equipment are recorded at cost. Computers and equipment, computer software, furniture and fixtures are depreciated over five years. Leasehold improvements included in furniture and fixtures are amortized on a straight-line basis over the term of the lease. Land is not amortized. The cost of maintenance and repairs of equipment is charged to expense when incurred. When the Company sells, disposes or retires property and equipment, the related gains or losses are included in operating results.

### *Impairment of Long-Lived Assets*

In accordance with ASC 360, *Property, Plant and Equipment - Subsequent Measurement* ("ASC 360"), the Company reviews the carrying value of its long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. The estimate of cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. Estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, changes to the business model or changes in operating performance. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, an impairment loss will be recognized, measured as the amount by which the carrying value exceeds the fair value of the asset. Fair value is determined using available market data, comparable asset quotes and/or discounted cash flow models.

### *Revenue Recognition*

The Company recognizes revenues in accordance with ASC 605, *Revenue Recognition* which requires that four basic criteria be met before revenues can be recognized: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the selling price is fixed and determinable; and (iv) collectability is reasonably assured. Determination of criteria (iii) and (iv) are based on Management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and cash back to customers, estimated returns and allowances, and other adjustments are recorded in the same period the related revenues are recorded. The Company defers any revenues that are subject to refund, and, for which the product has not been delivered or the service has not been rendered.

DubLi Network, a wholly owned subsidiary of the Company has a global network marketing organization with Business Associate ("BA") representatives in many countries throughout the world. The Company offers BAs a wide variety of products and services to sell to their customers, many of whom are also recruited to become Business Associates themselves. BAs earn commissions on sales of products and services that they sell directly, and earn commissions on "downstream" sales of products and services made by BAs that they recruit into the marketing network. The Company also offers various membership packages to customers and a program for business clients ("Partner program") whereby customers are recruited by the Partner.

The Company's revenue recognition policies for each of its products and services are as follows:

#### *E-commerce and memberships*

- Business license fees - Business Associates pay an initial business license fee and partner program participants (excluding not-for-profit organizations) pay a setup fee for the marketing and training services provided by the Company which enables them to begin their sales operations in selling DubLi's products and services. The business license fee or partner setup fee is recognized as revenue ratably over twelve months.

Effective March 2014, our BAs were no longer required pay a monthly fee to maintain their current membership status which was recorded as revenue in the respective period for which it was paid. Partner Program participants continue to pay a monthly maintenance fee which is recorded as revenue in the respective period for which it is paid.

- Membership subscription fees - (i) Effective April 2014 our BAs are required to purchase our membership subscription products for resale in the form of a qualifying VIP membership or VIP membership packages for BAs or membership packages for DubLi's customers as described under item (ii) below. These membership subscription products have a shelf life of twelve months. Revenue is recognized ratably over a twelve-month period when any membership subscription product is activated or immediately upon expiry; and (ii) DubLi customers who purchase a VIP membership package pay on an annual basis. The monthly subscription fee is recorded as revenue in the respective period for which it was paid and the annual subscription fee is recognized ratably over the subscription period.

Multi-element Arrangements – When Dubli Network sells business licenses, VIP membership vouchers, training and certification programs and marketing programs to BAs in bundles, the transaction price is allocated to each component of Revenue in proportion to the stand-alone selling price. Stand-alone selling price is based on vendor-specific objective evidence (“VSOE”) of fair value. VSOE of fair value is determined based on the price charged where each deliverable is sold separately or a price set by management with the relevant authority.

At the end of the fourth quarter of fiscal 2015, the Company concluded that it had accumulated a sufficient level of historical data from a large pool of homogenous transactions to allow management to reasonably and objectively determine an estimated unused and expired VIP voucher rate and the pattern of VIP voucher redemptions. Under this method, revenue is recognized and the VIP voucher liability is derecognized for unredeemed VIP vouchers in proportion to actual VIP voucher redemptions. The Company believes this method is preferable to recognizing revenue on expiration or use, because it better reflects the VIP voucher earnings process. In accordance with Accounting Standards Codification (ASC) Topic 250, “Accounting Changes and Error Corrections,” the Company concluded this accounting change represented a change in accounting estimate effected by a change in accounting principle and included a revision in expected redemptions based on VIP voucher redemption patterns. Accordingly, we accounted for the change as a change in estimate utilizing the cumulative catch-up method. The impact of the cumulative catch-up recorded at the end of the fourth quarter 2015 was to reduce VIP voucher deferred revenue and increase Revenue by approximately \$9.3 million.

Membership Voucher Revenue is based on an analysis of estimated breakage and redemption effective rates. The breakage percentage rates are estimated based on historical trends and are adjusted periodically based on actual breakage rates. Membership Voucher Revenue and Deferred Revenue calculations are based on a ratable/‘waterfall’ method whereby the monthly purchases are allocated between redeemed vouchers and estimated breakage. This allocation is then amortized over a 12-month period. The allocations are based on actual experience from inception to the current date. Our evaluation of the redemption rates in 2016 revealed that the historical assumptions used in fiscal year 2015 should be changed. In accordance with Accounting Standards Codification (ASC) Topic 250, “Accounting Changes and Error Corrections,” the Company concluded this accounting change represented a change in accounting estimate. This change in our assumptions resulted in an increase in Revenue of approximately \$575,000, a decrease in our Loss from operations of approximately \$287,500, a decrease in our Net loss of approximately \$287,500 and a decrease in our Loss per share for the 2016 fiscal year by approximately \$0.02/per share.

We believe it is appropriate to recognize revenues on this basis in order to more closely match revenue and related costs. We believe that the use of recent historical data is reasonable and appropriate because of the relative stability of the average actual number of VIP membership's redeemed.

- Commissions - The Company receives varying percentages in commission income earned from merchants participating in its online shopping malls. These commissions are calculated based upon the agreed rates with the participating merchants on all our customer's transactions processed through our online mall platform and are recognized on an accrual basis from data obtained from the merchant. A percentage of the commission income is payable, in the form of cash back, to the customer for all purchase transactions. The amount of cash back on the regular free membership is accrued as a reduction of commission income is the amount that is equivalent to the Cash Back paid to customers and is recognized at the time the commission income is recognized. The amount of cash back due to customers with the VIP membership is recorded as a Cost of Revenue. Commissions receivable from merchants is included in other receivables and prepaid expenses and total \$120,000 and \$480,000 for the years ended September 30, 2016 and 2015, respectively.
- Advertising and marketing – The Company offers three advertising programs which are sold to BAs and/or Partners in advance of several planned television and telemarketing advertising campaigns to generate new DubLi.com shopping customers for our BAs and/or Partners. Revenues for the respective advertising and marketing programs are recognized at a fixed rate per customer allocated to BAs in accordance with the terms and obligations under the programs or upon expiration based upon the following criteria - (i) when the Business Associate became inactive for twelve months and redemption was deemed remote, (ii) when the BA accepted an exchange under any replacement program, or (iii) when waivers and releases were obtained from the BA.

#### *Deferred Revenues*

Deferred subscription fee revenues relate to unearned revenues associated with VIP memberships. The Company sells membership and payments are received in advance of customers using the membership.

### *Auctions (Discontinued operations)*

Any remaining unused credits owned by Business Associates following the discontinuance of the Company's reverse auction program in March 2013 have been reclassified as liabilities of discontinued operations. Unused credits associated with inactive BAs are recognized as revenues twelve months after the termination of the reverse auction program or when waivers and releases are obtained from BAs who have opted to accept any replacement program.

### *Cost of revenues*

Cost of revenues are principally commissions based upon each BA's volume of sales, any related subsequent/ "Down-line" sales by other BAs under the sponsoring BAs and purchase transactions through our shopping portal made by customers under the sponsoring BA. Commissions due to BAs at the time of such transaction are recorded as deferred costs until the corresponding revenues are recognized. From time-to-time we offer special incentive bonuses that are recognized when the BA meets the sales target goals or specific criteria, and are recorded as deferred costs which are then expensed ratably as the corresponding revenues are recognized.

Cost of revenues also includes commissions paid to Partners and Cash Back paid to customers that is in excess of Cash Back paid to customers with a free membership.

Commissions and other incremental direct costs including credit card processing fees in connection with the discontinued auction program are reported as cost of revenues under discontinued operations.

### *Income Taxes*

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740") under which deferred tax assets and liabilities are determined based on temporary differences between accounting and tax bases of assets and liabilities and net operating loss and credit carry forwards, using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. A provision for income tax expense is recognized for income taxes payable for the current period, plus the net changes in deferred tax amounts.

In accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*, the Company adopted a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

In the event of a distribution of the earnings of certain international subsidiaries, the Company would be subject to withholding taxes payable on those distributions to the relevant foreign taxing authorities. Since the Company currently intends to reinvest undistributed earnings of these international subsidiaries indefinitely, the Company has made no provision for income taxes that might be payable upon the remittance or repatriation of these earnings. The Company has also not determined the amount of tax liability associated with an unplanned distribution of these permanently reinvested earnings. In the event that in the future the Company considers that there is a reasonable likelihood of the distribution of the earnings of these international subsidiaries (for example, if the Company intends to use those distributions to meet our liquidity needs), the Company will be required to make a provision for the estimated resulting tax liability, which will be subject to the evaluations and judgments of uncertainties described above.

The Company conducts business globally and, as a result, one or more of our subsidiaries file income tax returns in US federal and state, and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in the countries in which each respective company operates. The Company is currently under ongoing tax examinations in several countries. While such examinations are subject to inherent uncertainties, the Company does not currently anticipate that any such examination would have a material adverse impact on its consolidated financial statements.

### *Fair Value of Financial Instruments*

The Company has adopted ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”) for measurement and disclosures about the fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by ASC 820 are:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 - Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life; and

Level 3 - Inputs reflect Management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Valuation of instruments includes unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. We evaluate our hierarchy disclosures each quarter. Liabilities measured at fair value are summarized as follows as of:

September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivative liability	\$ —	\$ —	\$ —	\$ —

September 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivative liability	\$ —	\$ —	\$ 715,575	\$ 715,575

The fair value liability for warrants has been recorded as determined utilizing the Black-Scholes option pricing model.

As defined by ASC 820, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale, which was further clarified as the price that would be received to sell an asset or paid to transfer a liability (“an exit price”) in an orderly transaction between market participants at the measurement date. The carrying amounts of the Company's financial assets and liabilities, such as cash and cash equivalents, restricted cash, accounts receivable, other receivables and prepaid expenses, deferred costs, accounts payable, Business Associates payable, other payables and accrued liabilities, amounts due to a related party, unearned subscription fees and advertising, and liability of discontinued operations approximate their fair values because of the short maturity of these instruments.

### *Stock Based Compensation*

The Company accounts for stock-based compensation in accordance with ASC 718, *Share-Based Compensation*, which requires the use of the fair value method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (warrants and options). The fair value of each option award is estimated on the date of the stock option grant using the Black-Scholes valuation model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. Expected volatility is based on weighted average of the historical volatility of the Company's common stock and selected peer group comparable volatilities and other factors estimated over the expected term of the options. The expected term of stock options granted is derived using the “simplified method” which computes expected term as the average of the sum of the vesting term plus the contract term. The risk-free rate is based on the US Treasury yield curve in effect at the time of grant for the period of the expected term. The Company reduces its stock compensation expense for actual forfeitures of unvested stock options and warrants in the period in which the forfeiture occurs.

### ***Subsequent Events***

During October 2016, the Company sold 255,000 shares of common stock at \$4.00 per share in a private placement to a group of foreign investors totaling \$1.02 million.

During October 2016, the Company's shareholders approved the increase of its authorized shares of common stock to 200 million shares from 14 million shares and increased its authorized shares of common stock under the 2010 Omnibus Plan to 4.5 million from 3.0 million.

During November 2016, the Company sold 245,000 shares of common stock at \$4.00 per share in a private placement to a group of foreign investors totaling \$980,000.

On December 13, 2016, the Company acquired 40% of a Denmark-based company named Lani Pixels A/S ("Lani Pixels"). Lani Pixels will act as Ominto's strategic content partner in the future. The transaction was structured in two parts:

(1) The Company entered into a Share Exchange Agreement with Lani Pixels A/S, pursuant to which Lani Pixels purchased one million two hundred eighty-five thousand seven hundred fourteen (1,285,714) shares of the Company's common stock, par value \$0.001 per share ("Common Stock"), valued at \$4.00 per share and in exchange therefor, Lani Pixels issued and/or transferred to the Company, all right, title, and interest in and to shares of Lani Pixels' common stock that represents an aggregate of 20% of the issued and outstanding common stock of Lani Pixels on a fully diluted basis. In addition, the Company loaned Lani Pixels \$500,000 and Lani Pixels issued a promissory note in the amount of \$500,000 ("Note") to the Company. The Note matures on October 31, 2017 and accrues interest at a rate of 3% per annum. The Company also purchased a senior secured debenture (the "Debenture") from Lani Pixels in the amount of \$2.0 million. The Debenture has a coupon of 5% per annum, payable semi-annually and a running fee that entitles the Company to 3% of the gross revenues from July 1, 2017 to and including December 31, 2025, paid semi-annually on February 12, 2018 for the preceding semi-annual period from July 1 through December 31. The Debenture matures on February 12, 2026 and has a call option under which the principal amount may be redeemed in whole from February 12, 2018 or on any consecutive coupon date thereafter.

(2) The Company entered into a Share Exchange Agreement with Kim Pagel ("Pagel"), pursuant to which Pagel transferred to the Company, all right, title, and interest in and to shares of Lani Pixels' common stock that represents an aggregate of 20% of the issued and outstanding common stock of Lani Pixels on a fully diluted basis in exchange for one million one hundred forty-two thousand eight hundred fifty-seven (1,142,857) shares of the Company's common stock, par value \$0.001 per share ("Common Stock"), valued at \$4.00 per share, and an additional cash amount of \$500,000.

On December 13, 2016 ("Closing Date"), the Company entered into a Share Exchange Agreement ("Agreement") with Quant Systems, Inc. ("Quant"), pursuant to which Quant purchased eight hundred three thousand five hundred seventy-one (803,571) shares (the "Ominto Shares") of the Company's common stock, par value \$0.001 per share ("Common Stock"), valued at \$4.00 per share and in exchange therefor, Quant issued and/or transferred to the Company, all right, title, and interest in and to shares of Quant's common stock that represents an aggregate of 18.75% of the issued and outstanding common stock of Quant on a fully diluted basis. Subject to the terms of the Agreement, the Company has the right, but not the obligation, to purchase up to four hundred one thousand seven hundred eighty-five (401,785) of the Ominto Shares from Quant in one or more transactions, commencing on the Closing Date for a period up to 12 months.

On December 13, 2016, the Company issued two hundred twenty-five thousand (225,000) shares of the Company's common stock, par value \$0.001 per share, valued at \$4.00 per share to an unrelated third party in exchange for a \$900,000 promissory note (the "Note"). The Note bears interest at 5% per annum and matures on February 14, 2017. The Note is secured by a personal guarantee and by a mortgage on a parcel of land.

## Contractual Payment Obligations

At September 30, 2016, our contractual payment obligations consisted of the following:

### *Employment agreements*

The Company has employment agreements with certain officers, which extend from 24 to 60 months, and are renewable for successive one year terms. These agreements provide for base levels of compensation and separation benefits. Future minimum payments under these employment agreements as of September 30, 2016 are as follows:

September 2017	\$ 1,278,000
September 2018	1,278,000
September 2019	1,278,000
September 2020	1,278,000
September 2021	927,000
Total	<u>\$ 6,039,000</u>

### *Operating Leases*

The Company leases its office premises located in Florida and is in the process of terminating its lease in Washington. The company terminated its leases in Oregon, Colorado and Utah during FY 2016. The initial terms of the Florida lease is for 39 months. Future minimum payments under the Florida lease as of September 30, 2016 is as follows:

September 2017	\$ 162,885
September 2018	171,034
September 2019	174,483
September 2020	178,036
September 2021	181,695
Total	<u>\$ 868,133</u>

### *Off-Balance Sheet Arrangements*

Our significant off balance sheet transactions include liabilities associated with non-cancellable operating leases, employment contracts, and liabilities associated with certain indemnification and guarantee arrangements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Foreign Currency Risk

We have foreign operations in the United Arab Emirates, India, Germany and other countries. Revenue generated from foreign operations represented approximately 71% of total revenue in fiscal year 2016. Revenue and expenses related to our foreign operations are denominated in the functional currency of the foreign operations which minimizes the impact that fluctuations in exchange rates would have on net income or loss. We are subject to fluctuations in foreign currency exchange rates when transactions are denominated in currencies other than the function currencies. Such transactions were not material to our operations in fiscal year 2016. Translation gains and losses which are recorded in other comprehensive income or loss, result from translation of the asset and liabilities of our foreign subsidiaries into U.S. dollars. Foreign currency translation loss totaled \$19,469 and approximately \$1.3 million at September 30, 2016 and 2015, respectively. Our exposure to foreign currency risk could increase in the future if we continue to expand our operations outside of the U.S.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and notes thereto and the report of Mayer Hoffman McCann P.C., independent registered public accounting firm, are set forth on pages F-1 through F-25 of this Annual Report on Form 10-K.

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

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### *Disclosure Controls and Procedures*

Our CEO and CFO evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2016. The term “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s Management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and Management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2016 and 2015 and due to the material weaknesses in our internal control over financial reporting described in our accompanying Management’s Report on Internal Control over Financial Reporting, our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were not effective.

However, corrective actions have been initiated for each internal control weakness as described below under the section “*Management’s Report on Internal Control over Financial Reporting.*”

### *Management’s Report on Internal Control over Financial Reporting*

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting for our Company. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act, as a process designed by, or under the supervision of, a company’s principal executive officer and principal financial officer and effected by the Company’s Board, Management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made in accordance with authorizations of Management and the Company’s Board; and
- 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 consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements, 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.

Our CEO and CFO assessed the effectiveness of our internal control over financial reporting as of September 30, 2016. In connection with this assessment, we identified the following material weaknesses in internal control over financial reporting as of September 30, 2016. A material weakness is 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 the annual or interim financial statements will not be prevented or detected on a timely basis. In making this assessment, our Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - An Integrated Framework (June 2013). Management concluded that, as of September 30, 2016 and 2015, our internal control over financial reporting was not effective because of the material weaknesses as described below:

Control environment - we did not maintain an effective control environment. The control environment, which is the responsibility of Senior Management, sets the tone of the organization, influences the control consciousness of its people, and is the foundation for all other components of internal control over financial reporting. Each control environment weakness also contributed to the material weakness discussed below. Our control environment was ineffective because of the following material weaknesses:

- (a) We did not maintain an effective anti-fraud program designed to identify and manage fraud relating to
  - (i) an effective whistle-blower program or other comparable mechanism; and
  - (ii) an ongoing program to identify and manage fraud risks;
- (b) We did not have formalized job descriptions and performance appraisals, and as a result our employees may not have a clear understanding of their responsibilities to facilitate proper internal control over information technology (“IT”) and financial reporting; and
- (c) We relied extensively on outside service providers, most of which did not provide a Type II SSAE16 report on their internal controls.

The control environment material weaknesses described above contributed to the material weaknesses related to our monitoring of internal control over financial reporting, and, period end financial closing, as follows:

- (a) Our policies and procedures with respect to the review, supervision and monitoring of our accounting operations throughout the organization were either not designed or not formalized;
- (b) We did not maintain an effective internal control monitoring function due to insufficient policies and procedures to effectively communicate and determine the adequacy of our internal control over IT and financial reporting for monitoring ongoing effectiveness thereof; and
- (c) We did not maintain formal cash flow forecasts and business plans, to guide respective employees in critical decision-making processes; and
- (d) We did not maintain procedures and effective controls over the preparation, review and approval of account reconciliations and application programming interfaces with third parties or our own systems.

As a result of the Company’s material weaknesses, material adjustments were required to be recorded to the Company’s consolidated financial statements for the year ended September 30, 2016 during the performance of the audit of those statements.

This Report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over IT and financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only Management’s report in this Report.

### ***Changes in Internal Control over Financial Reporting***

To address the identified material weakness discussed above, we have taken the following measures as described under remediation plans below.

#### ***Remediation Plans***

During the years ended September 30, 2015 and 2016, we:

- (1) Hired a new Interim CFO and additional qualified and experienced finance department personnel to enhance period end financial close and reporting; and
- (2) Continued the reorganization of our finance, accounting and other support staff to improve work flow and enhance internal controls;
- (3) Hired a Director of Compliance to evaluate and implement corrective action on our material weaknesses; and
- (4) Hired a Vice President of Information Technology to oversee and implement proper internal control over IT and our business operating systems.

In addition, we have improved or are in the process of improving our internal controls as follows:

#### **Control Environment**

- (a) We have implemented a whistle-blower program and are in the process of implementing other programs to identify and manage fraud risks;
- (b) Formalized job descriptions have been developed for all finance and accounting personnel that specifically:
  - (i) identify required financial reporting roles, responsibilities, and necessary competencies; and
  - (ii) clarify responsibilities for maintaining our internal controls over financial information; and
- (c) We have increased the utilization of the features and controls provided in our Enterprise Resource Planning (“ERP”) system and reduce the use of spreadsheets.

#### **Monitoring of internal control over financial reporting, and, period end financial closing**

- (a) We continue to review and improve our policies and procedures with respect to the review, supervision and monitoring of our accounting operations;
- (b) We are completing a risk assessment process in order to improve our monitoring function in conjunction with our ERP system; and
- (c) We are developing forecasts and plans by which our Management can measure achievement against formalized benchmarks.

If the remedial measures described above are insufficient to address any of the identified material weaknesses or are not implemented effectively, or additional deficiencies arise in the future, material misstatements in our interim or annual consolidated financial statements may occur in the future and we may continue to be delinquent in our filings. We are currently working to improve and simplify our internal processes and implement enhanced controls, as discussed above, to address the material weaknesses in our internal control over financial reporting and to remedy the ineffectiveness of our disclosure controls and procedures. Key factors in the success of our remediation efforts are our ability to recruit and retain qualified individuals, and to make the investments required to enhance our financial reporting systems. Therefore, the success of our remediation efforts will also be dependent in part upon our ability to obtain sufficient funding. Among other things, any un-remediated material weaknesses could result in material post-closing adjustments in future financial statements.

### **ITEM 9B. OTHER INFORMATION**

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

#### Executive Officers and Directors

Our directors and executive officers, and their ages and positions as of December 8, 2016 are as follows:

Name	Age	Position
Michael Hansen	47	Director, Founder, Chief Executive Officer
Raoul Quijada	54	Interim Chief Financial Officer
Betina Dupont Sorensen	45	Chief Operating Officer
David C. Pollei (3)(2)	73	Chairman of Board of Directors
Gary S. Baughman (1)(3)	70	Director
Gregory J. Newell (1)(2)	67	Director
Mitch C. Hill (1)	57	Director
Peter H. Harris (2)(3)	53	Director

- (1) Audit Committee
- (2) Compensation Committee
- (3) Nominating and Corporate Governance Committee

#### Executive Officers

**Michael Hansen**, 47, is the Chief Executive Officer and Founder of the Company. Mr. Hansen was re-appointed as Chief Executive Officer on June 1, 2016. From September 15, 2015 to June 1, 2016, he served as the Executive Vice President, Development of the Company and a Director on the Board of Directors of the Company. He served as President and Chief Executive Officer of the Company's predecessor and served the same roles for the Company from 2003 until May, 2015, when Mr. Braiker was appointed. From May 2015 to September 2015, Mr. Hansen was Ominto's chief strategist and conceptual developer. Early in his career, Mr. Hansen gained experience from his work in a variety of internationally recognized creative environments. Mr. Hansen holds a degree in mechanical engineering and in the late eighties and early nineties worked as a developer for the Danfoss Group. Later, he was recruited by LEGO and was responsible for theme world development spending much of his time designing and creating the highly successful Space Lego product line, which later developed into the Star Wars products. In 1996, he commenced his entrepreneurial career by developing a successful chain of Mexican themed franchise restaurants which he sold in 1999 to pursue a career in the network marketing industry where he achieved the highest sales associate ranking available in two US-based network marketing companies, in telecommunications and financial services. Mr. Hansen shares the same household as Ms. Betina Dupont Sorensen, and they have an adult child together.

**Raoul Quijada**, 54, was appointed by the Company's Board of Directors on June 13, 2016 to serve as an Interim Chief Financial Officer ("CFO") of the Company. Mr. Quijada is an employee of Resources Global Professionals, where he has served as a consultant since the beginning of 2016 and joined the Company on a contractual basis for up to twelve months from the effective date of his appointment. Mr. Quijada comes to the Company with over 20 years of experience bringing with him a significant record of leadership in several Fortune 500 Companies. Mr. Quijada started his career at Price Waterhouse Coopers LLP. Most recently, Mr. Quijada was employed by Afligo Marketing Services, Inc. where he served as the company's Senior VP of Finance and Operations and was responsible for leading the functions of financial management and strategic planning as well as operations. Prior to that, he was the Senior Director of Finance at Newell Rubbermaid from 2005 through 2007, the Director of Strategic Planning & Analysis from 2003 to 2005, and the Director of Finance -LAC Division from 1998 to 2003. As a Certified Six Sigma and proficient in the Six Sigma/Lean Principles, Mr. Quijada has used his expertise in Operational Excellence to lead several initiatives to increase efficiencies through the implementation of different mechanisms designed to improve core processes and measure operational effectiveness. Mr. Quijada attended New York University and Concordia University with a double major in Business Administration & Finance and holds a Master of Business Administration from the University of St. Thomas – Graduate School of Business in Minneapolis MN, and a Certificate of Professional Achievement in Leadership & Management from the Kellogg School of Management - Evanston, IL. The Company may elect to hire Mr. Quijada as an employee after the payment of a hiring fee. Mr. Quijada does not have any family relationship with any director, executive officer, or person nominated or chosen to become a director or executive officer of the Company.

**Andreas Kusche**, 46, has served as General Counsel of the Company since October, 2009. From September, 2007, until October, 2009, Mr. Kusche served as head of legal services of our DubLi subsidiary and our related predecessor Internet auctions. He studied at the renowned Humboldt University in Berlin, as well as at the University of Alicante in Spain. Additionally, he launched a film production company and was a consultant to an international film fund. After completing his law studies, Mr. Kusche applied for admission as an attorney and joined the Härting firm, specialists in media law in Berlin. At Härting, he worked in the fields of national and international tax law, among other areas, and completed the tax law examination successfully. Mr. Kusche earned more than seven years of experience in advising media production companies, staying especially active in the fields of media finance and media funds.

**Betina Dupont Sorensen**, 45, is Chief Operating Officer of the Company effective September 1, 2016. From 2005 to 2016, Ms. Sorensen served as Chief Marketing Officer of our DubLi Network subsidiary, where she is responsible for all distribution, marketing and communications functions for DubLi Network's Business Associates. She is also the manager of Ominto's office in Dubai, the UAE. Early in her career, Ms. Sorensen was employed in a Danish marketing firm and spent two years with Modulex, a division of LEGO where she worked in the accounting and logistics department. As a seasoned business executive, she has owned her own restaurant and has also managed accounting and HR for several nightclubs in Denmark. Ms. Sorensen began her career in Network Marketing in the late 1990s, and spent three years building large organizations and customer bases for two US multi-level marketing companies. She has a Degree in Business Administration from Vejle Business College. She is fluent in Danish, English and German and is conversational in Spanish. Ms. Sorensen shares the same household as Mr. Hansen, and they have an adult child together.

### ***Non-Employee Directors***

**David C. Pollei**, 73, has served as our Chairman of the Board since June 2015, and brings strategic management and operational experience to Ominto as an investment banker and principal of Blair Cannon Financial (BCF), a strategic investment banking and marketing/communications advisory firm. In the time since his founding of BCF in 1983 to the present he has raised over a quarter of a billion dollars for online e-commerce, media, technology, education and communication businesses. He formerly served as President and CEO of DNDT, an online SAAS classified ad system, and as President of SISNA, (Ikano) an Internet service provider. Earlier in his career, he was a Vice President of Marketing for ABC Radio and has since advised major radio and TV stations in major markets on marketing and communications. He was also previously President of Shopping by Satellite (a forerunner to HSN/QVC) and has held executive and management positions with AT&E, which developed Seiko's paging wristwatch, California News Syndicate and WaveShift – now [maxpreps.com](http://maxpreps.com), which is operated by CBS Sports. Mr. Pollei lectures around the world and has been featured in *The Wall Street Journal*, *Barron's Billboard*, *Gannett* and *Electronic Media*. Mr. Pollei holds a Bachelor of Arts from Brigham Young University in International Relations and French.

**Gary S. Baughman**, 70, has served as a Director since June 2015. During the last ten years he has been associated with a number of private equity firms including Centre Partners and Golub Capital, headquartered in New York City, Westar Capital in Costa Mesa California, and Gauge Capital, in Southlake, Texas. From 2009 to 2012 Mr. Baughman served as a mission president for the Mormon Church in Europe. From 2002 to 2008 Mr. Baughman was Chairman and CEO of Petmate, Inc., which was then largest non-food pet product company in America. Prior to joining Petmate, Mr. Baughman was CEO of Fisher-Price, a wholly owned subsidiary of Mattel, Inc., where he led the company through a turnaround and return to profitability. Before joining Fisher-Price, he was CEO of Tyco Toys, Inc., then the world's third largest toy company. Prior to joining Tyco, Mr. Baughman was President of the Little Tikes Co., a division of Rubbermaid, Inc. His executive background also includes being President of Evenflo Products Co., one of the world's leading producers of juvenile products, where he led the company through a turnaround in sales and earnings. He received his Bachelor of Arts degree from BYU and an MBA from the University of Michigan.

**Gregory J. Newell**, 67, has served as a Director since June 2015, and is currently President and Chief Executive Officer of International Commerce Development Corporation, which provides US and international companies with planning and execution of accelerated growth objectives. Since joining International Commerce Development Corporation in 1993, he supported the generation of \$342 million in incremental revenue from Asia while serving as Interim Managing Director of International Development and Operations for an international company. In that position, he executed a strategy to access 24 Asian and European countries in five years and helped build a foundation for a successful IPO and \$2.3 billion market capitalization. During his tenure, Mr. Newell also revived and completed groundbreaking projects (totaling \$146 million) for a \$9 billion publicly-traded corporation, establishing and maintaining credibility with government officials and investors in China and Europe. Throughout his career, Mr. Newell has successfully executed aggressive strategic international expansion plans for more than 90 enterprises. He is a former US Ambassador to Sweden and US Assistant Secretary of State for International Organization Affairs. Mr. Newell served in appointive positions for four US Presidents. Mr. Newell served as a member of the Board of Directors of Invisa, Inc. (OTC: INSA) from 2002 - 2015.

**Mitchell C. Hill**, 57, has served as a Director since June 2015, where he serves as Chairman of the Audit Committee. On January 26, 2016, Mr. Hill was elected as Interim Chief Executive Officer. Mr. Hill served as Interim CEO until June 1, 2016. He is the Co-Founder and Chief Financial Officer of Fortunato Capital Management, Inc., a real estate private equity firm. Prior to Fortunato, from 2013 to 2015, Mr. Hill was Executive Vice President and CFO of Alphaeon, Inc., a subsidiary of Strathspey Crown, LLC. Mr. Hill has an extensive and successful track record with private equity and venture capital-backed firms including his service as CFO of Cameron Health, Inc. from 2010 to 2012 (sold to Boston Scientific) and Visiogen Inc. from 2008-2010 (sold to Abbott Medical Optics). Earlier in his career, he was President and CFO of Buy.com Inc., a high-profile pioneer in early e-commerce solutions with annual sales of approximately \$800 million, and Senior Vice President and CFO of Walt Disney Imagineering, a 3,000 person creative, technical and real estate/theme park development company. Mr. Hill also worked in the investment banking division of Goldman Sachs. Throughout his career he has supported startup launches, and has transformed companies from R&D phases and private capitalization to commercialization with manufacturing, marketing and sales, including preparation for initial public offerings. Mr. Hill received his MBA from Harvard Graduate School of Business Administration, with a focus in Finance, and his BS from Brigham Young University, Business Accounting, summa cum laude.

**Peter H. Harris**, 53, has served as a Director since June 2015. Since 2013, Mr. Harris has served as the CEO of Spartan Education Group, the parent company of colleges that provide training in aviation maintenance, flight and related fields. During his career, he has held the position of CEO or COO at several companies owned by private equity firms, including the largest provider of domestic executive office suites, a national staffing firm, and the largest owner and operator of Jiffy Lube stores. His most recent CEO roles were at Eagle Hospital Physicians, a provider of hospitalist physician practice management services in more than 15 States in 2013; Pacific Interpreters, a provider of telephonic interpretation services in more than 200 languages for premier healthcare organizations from 2011 to 2012); and Active Day, the nation's largest independent adult day services provider from 2009 to 2011. Mr. Harris first served as a corporate officer while working for the largest provider of hospice care in the US. In addition to executive roles at portfolio companies, he has served as a board member for more than a dozen companies across a wide range of industries. He is a seasoned executive who has demonstrated an ability to make positive changes in many types of businesses with customers across the nation and the globe. Mr. Harris received an honors undergraduate degree in Mathematical Methods in the Social Sciences and Political Science from Northwestern University and a Juris Doctorate from Harvard Law School, where he served as Editor - in - Chief of the *Harvard Journal of Law & Public Policy*.

### **Board Independence**

Our securities are currently not listed on a national securities exchange or in an inter-dealer quotation system which has requirements that directors be independent. However, our Board annually determines the independence of each director, based on the independence criteria set forth in the listing standards of the Marketplace Rules of NASDAQ. In making its determinations, the Board considers all relevant facts and circumstances brought to its attention as well as information provided by the directors and a review of any relevant transactions or relationships between each director or any member of his or her family, and the Company, its senior management or our independent registered public accounting firm. Based on its review, the Board determined that Messrs. Baughman, Harris, Newell, and Pollei are independent under the NASDAQ criteria for independent board members.

### **Board Committees**

#### *Audit Committee*

The Audit Committee, which has been established in accordance with Section 3(a)(58)(A) of the Exchange Act, assists the Board in its general oversight of our financial reporting, internal controls, and audit functions, and is directly responsible for the appointment, compensation and oversight of the work of our independent registered public accounting firm. The members of the Audit Committee are Messrs. Hill (Chairman), Baughman, and Newell. Messrs. Baughman and Newell are independent under NASDAQ's independence standards for audit committee members. The Board has determined that Mr. Hill is an "audit committee financial expert", as defined by the rules of the SEC. The charter of the Audit Committee is available on our website at [inc.ominto.com](http://inc.ominto.com) on the Investor Relations page.

### *Compensation Committee*

The Compensation Committee establishes our executive compensation policy, determines the salary and bonuses of our executive officers and recommends to the Board equity compensation grants for our executive officers. The members of the Compensation Committee are Peter D. Harris (Chairman), David C. Pollei and Gregory J. Newell. Each of them is independent under NASDAQ's independence standards for compensation committee members. Our Chief Executive Officer often makes recommendations to the Compensation Committee and the Board concerning compensation of other executive officers. The Compensation Committee seeks input on certain compensation policies from the Chief Executive Officer. The charter of the Compensation Committee is available on our website at [inc.ominto.com](http://inc.ominto.com) on the Investor Relations page.

### *Nominating and Governance Committee*

The Nominating and Governance Committee is responsible for matters relating to the corporate governance of our Company and the nomination of members of the Board and committees thereof. The members of the Nominating and Governance Committee are Messrs. Pollei (Chairman), Baughman and Harris. Each of them is independent under NASDAQ's independence standards. The charter of the Nominating and Governance Committee is available on our website at [inc.ominto.com](http://inc.ominto.com) on the Investor Relations page.

### **Code of Business Conduct and Ethics**

Our Board has adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. Any waivers of any provision of this code for our directors or officers may be granted only by the Board or a committee appointed by the Board. Any waivers of any provisions of this code for an employee or a representative may be granted only by our chief executive officer or principal accounting officer. The Code of Business Conduct and Ethics is available on our website at [inc.ominto.com](http://inc.ominto.com) on the Investor Relations page.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

We are required to identify each person who was an officer, director or beneficial owner of more than 10% of our registered equity securities during our most recent fiscal year and who failed to file on a timely basis reports required by Section 16(a) of the Exchange Act. To our knowledge, based solely on review of these filings and written representations from the certain reporting persons, we believe that during the year ended September 30, 2016, our officers, directors and significant stockholders have timely filed the appropriate forms under Section 16(a) of the Exchange Act. Additionally, K Foundation, which beneficially owns 9.1% of our outstanding common stock, has not filed any forms under Section 16(a) of the Exchange Act.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation Table

The table below sets forth, for the period indicated, the compensation paid or granted by the Company to the named executive officers during the last two completed fiscal years.

Name and Principal Position	Year	Salary	Bonus	Stock Awards (8)	Option Awards (9)	Non-Equity Incentive Plan Compensation	All Other Compensation (1)	Total
Michael Hansen*(2)								
CEO (2016)	2016	288,000	-	-	-	-	60,000	348,000
President (2015)	2015	267,800	-	5,245,000	-	-	-	5,512,800
Ivan Braiker*(3)								
CEO and President	2016	95,576	-	-	-	-	117,307	212,883
	2015	162,692	-	-	1,473,961	-	-	1,636,653
Mitchell Hill* (4)	2016	95,000	-	-	-	-	41,815	136,815
Interim CEO								
Raoul Quijada (5)								
Interim CFO								
Thomas Virgin (6)								
CFO	2016	79,647	-	-	-	-	90,064	169,711
	2015	102,244	-	-	589,584	-	-	691,828
Eric Nelson (7)	2015	150,000	-	-	-	-	77,019	227,019
CFO								
Andreas Kusche								
General Counsel	2016	180,000	-	-	-	-	44,076	224,076
	2015	180,000	36,000	550,000	-	-	-	766,000
Betina Dupont Sorensen								
Chief Operating Officer	2016	180,000	-	-	-	-	47,400	227,400
	2015	180,000	-	550,000	-	-	-	730,000

\* Member of the Board of Directors

- (1) All other compensation consists of salary paid in shares of common stock for Michael Hansen, Mitchell Hill, Andreas Kusche and Betina Dupont Sorensen; \$100,000 in severance and \$17,307 for accrued vacation paid to Ivan Braiker; \$83,333 in severance and \$6,731 for accrued vacation paid to Thomas Virgin; and \$59,712 in severance and \$17,307 for accrued vacation paid to Eric Nelson in connection with separation agreements.
- (2) Michael Hansen served as CEO and President from February 27, 2013 until May 5, 2015. From May 5, 2015 to September 14, 2015, Mr. Hansen served as a consultant to the Company without compensation, other than payment of business expenses. On September 15, 2015, Mr. Hansen entered into a new employment agreement with the Company to serve as Executive Vice President, Development. On June 1, 2016, Mr. Hansen was re-appointed CEO. On November 17, 2016, Mr. Hansen entered into a new employment agreement with the Company to serve as Chief Executive Officer. Stock awards in 2015 include compensation for prior years.
- (3) Ivan Braiker was appointed President and CEO on May 5, 2015 and ceased serving as President and CEO on January 26, 2016.
- (4) Mitchell Hill was appointed Interim CEO on January 26, 2016 and ceased serving as Interim CEO on June 1, 2016.
- (5) Raoul Quijada was appointed Interim CFO on June 13, 2016 and is paid through Resources Connection LLC (Resources Global Professionals). The Company paid a total of \$113,953 to Resources Global Professionals for Mr. Quijada's services during fiscal year 2016.
- (6) Thomas Virgin was appointed CFO on May 5, 2015 and ceased serving as CFO on January 26, 2016.
- (7) Eric Nelson ceased serving as CFO on May 5, 2015.
- (8) Stock Awards reflect the fair value of the award on the grant date in accordance with FASB ASC Topic 718.
- (9) Option Awards reflect the aggregate fair value on the grant date in accordance with FASB ASC Topic 718. These amounts are not paid to or realized by the officer. Assumptions used in the calculation of these values are included in Note 16, "Stock-based Compensation," to our audited financial statements included in this Annual Report.

## ***Executive Employment Agreements***

### **Michael Hansen**

On February 27, 2013, Mr. Hansen executed an employment agreement with the Company for an initial term of five years, renewable for each successive one-year period. The employment agreement was terminated on May 5, 2015 when Mr. Hansen resigned his positions as CEO and President to allow Mr. Braiker to assume those roles. Under the former employment agreement, Mr. Hansen was paid an annual base salary of \$420,000 and was due a severance payment of six months of base salary in the event that he is terminated without cause. Mr. Hansen's departure was voluntary and no severance is owed for his departure from employment. In addition, we were permitted to pay additional salary from time to time and award bonuses in cash, stock or stock options or other property and services to Mr. Hansen.

In August 2015, we granted Mr. Hansen 800,000 restricted shares in recognition of past efforts on behalf of the Company. A large portion of these shares was approved in 2014 by a prior Board of Directors, but not issued for reasons unrelated to the services performed by Mr. Hansen. From May 5, 2015 to September 14, 2015, Mr. Hansen served as a consultant to the Company without compensation, other than payment of business expenses. On September 15, 2015, Mr. Hansen entered into a new employment agreement with the Company to serve as Executive Vice President Development for an initial term of five years, renewable for each successive one-year period. Under the new employment agreement, Mr. Hansen is paid an annual base salary of \$240,000 and is due a severance payment of six months of base salary if he is terminated without cause. Mr. Hansen was also granted the right to 100,000 shares of the Company's common stock which vest in 60 equal monthly installments. The common stock is restricted stock. In addition, we may pay additional salary from time to time and award bonuses in cash, stock or stock options or other property and services to Mr. Hansen. Mr. Hansen will be restricted from competing with the Company during the course of his employment and for a period of one year after his employment has been terminated. Effective June 1, 2016, Mr. Hansen was appointed Chief Executive Officer and President of the Company, to serve until his successor is duly elected, qualified and seated or until his earlier resignation or removal.

Effective November 17, 2016, the Company entered into a new Employment Agreement with Mr. Hansen that supersedes the prior employment agreement between the Company and Mr. Hansen, dated September 14, 2015. Under the new Employment Agreement, Mr. Hansen will serve as the CEO for an initial five (5) year term, after which time, the new Employment Agreement shall continue on a year-to-year basis if not terminated by the parties. Pursuant to the terms of the new Employment Agreement, Mr. Hansen's base salary is \$360,000 per year and Mr. Hansen will be eligible to receive an annual incentive bonus of up to 100% of the base salary, as determined by the Board in its sole discretion. Mr. Hansen shall also receive a grant of 500,000 shares of restricted common stock which shall vest on the later of (i) January 1, 2017; (ii) three (3) business days after the listing of the Company's common stock on the NASDAQ Capital Market; or (iii) such other date as may be approved by the Board.

The Company may pay Mr. Hansen additional salary from time to time, and award bonuses in cash, stock or stock options or other property and services. In the event he is terminated without cause or leaves the Company for good reason, Mr. Hansen is entitled to twelve (12) months' of severance pay, or twenty-four (24) months if such termination occurs within twenty-four (24) months following a change in control, subject to the provisions in the Employment Agreement, and payable in accordance with the Company's normal payroll. Unless otherwise approved by the Board, Mr. Hansen shall not be entitled to accelerated vesting or any other enhanced benefits with respect to any awards under any Ominto Equity Plan, or any enhanced severance benefits under this Agreement or otherwise, as a result of a change in control (or any similar event).

### **Ivan Braiker**

Effective May 5, 2015, Mr. Braiker entered into an employment agreement with the Company to serve as Chief Executive Officer and President for an initial term of five years, renewable for each successive one-year period. Under the employment agreement, Mr. Braiker was paid an annual base salary of \$300,000. Mr. Braiker was also granted the right to 250,000 options to purchase the Company's common stock which were scheduled to vest in 60 equal monthly installments. The options had an exercise price of \$9.50 per share. Mr. Braiker is restricted from competing with the Company during the course of his employment and for a period of one year after his employment has been terminated. On January 26, 2016, the Company accepted Mr. Braiker's resignation from the Company as its CEO/President and from the Board of Directors and Mr. Braiker received his salary for a four-month period.

### **Raoul Quijada**

Effective June 13, 2016, the Board of Directors appointed Raoul Quijada to serve as the interim Chief Financial Officer of the Company. Mr. Quijada, age 54, is an employee of Resources Global Professionals, where he has served as a consultant since the beginning of 2016, and joined the Company on a contractual basis for up to twelve months from the effective date of his appointment. Mr. Quijada comes to Ominto Inc. with over 20-years of experience bringing with him a significant record of leadership in several Fortune 500 Companies. The Company paid a total of \$113,953 to Resources Global Professionals for Mr. Quijada's services during fiscal year 2016. Mr. Quijada does not have any family relationship with any director, executive officer, or person nominated or chosen to become a director or executive officer of the Company.

**Thomas J. Virgin**

Effective May 5, 2015, Mr. Virgin entered into an employment agreement with the Company to serve as Chief Financial Officer for an initial term of five years, renewable for each successive one-year period. Under the employment agreement, Mr. Virgin was paid an annual base salary of \$250,000. Mr. Virgin was also granted the right to 100,000 options to purchase the Company's common stock which were scheduled to vest in 60 equal monthly installments. The options had an exercise price of \$9.50 per share. Mr. Virgin is restricted from competing with the Company during the course of his employment and for a period of one year after his employment has been terminated. Mr. Virgin ceased serving as Chief Financial Officer on January 26, 2016 and received his salary for a four-month period.

**Eric Nelson**

Effective February 26, 2013, Eric Nelson was appointed as Chief Financial Officer and entered into an employment agreement with the Company for an initial term of five years, renewable automatically for an additional one-year term, unless terminated in accordance with the terms of the agreement. Mr. Nelson's agreement provided for an annual base salary of \$225,000. The agreement also contained non-disclosure, non-solicitation and non-compete restrictions. The non-solicitation and non-compete restrictions survive for a period of twelve months following the date of termination of Mr. Nelson's employment with the Company. Mr. Nelson was entitled to severance benefits under the employment agreement. Mr. Nelson ceased serving as the Company's Chief Financial Officer as of May 5, 2015. Mr. Nelson remained with the Company until the end of May to assist with transition matters. The Company and Mr. Nelson entered into a separation agreement whereby Mr. Nelson received compensation for a three-month period and Mr. Nelson was issued an option to purchase 50,000 shares of common stock for \$9.50 per share.

**Andreas Kusche**

Effective October 1, 2009, Mr. Kusche, our General Counsel, entered into an employment agreement with the Company's subsidiary, CG Holdings ("CG"), and its subsidiaries. This agreement had an initial term of three years and was automatically renewed for an additional one-year term, unless terminated in accordance with the terms of the agreement. The agreement provided for a monthly base salary of 7,500€ to be reviewed annually and a minimum annual bonus of 15% of Mr. Kusche's annual base salary. Mr. Kusche received certain equity in the Company in 2009 in connection with transactions in 2009 that were part of the merger of the DubLi Network business into the Company. The agreement also provides for a minimum automobile allowance in the amount of 800€ per month, insurance on any vehicle covered by the automobile allowance, vacation, participation in all benefit plans offered by us to our executives and the reimbursement of reasonable business expenses. The agreement also contains non-disclosure, non-solicitation and non-compete restrictions. The non-solicitation and non-compete restrictions survive for a period of eighteen months following the date of termination of Mr. Kusche's employment with the Company's subsidiary.

On October 1, 2013, CG extended Mr. Kusche's employment agreement for two years. As of October 1, 2015, the Company's Dubli subsidiary entered into a consulting agreement with a Dubai company owned by Mr. Kusche whereby the consulting company agrees to provide full time services of Mr. Kusche on the same terms and conditions as the prior employment agreement. The annual compensation is \$180,000.

**Betina Dupont Sorensen**

Effective October 1, 2009, Betina Dupont Sorensen, Chief Marketing Officer of our DubLi Network subsidiary, entered into an employment agreement with CG and its subsidiaries. This agreement had an initial term of three years and was automatically renewable for an additional one-year term, unless terminated in accordance with the terms of the agreement. The agreement provided for a monthly base salary of 7,500€ to be reviewed annually and a minimum annual bonus of 15% of Ms. Sorensen's annual base salary. The agreement also provides for a minimum automobile allowance in the amount of 800€ per month, insurance on any vehicle covered by the automobile allowance, vacation, participation in all benefit plans offered by us to our executives and the reimbursement of reasonable business expenses. The agreement also contains non-disclosure, non-solicitation and non-compete restrictions. The non-solicitation and non-compete restrictions survive for a period of eighteen months following the date of termination of Ms. Sorensen's employment with the Company. On October 1, 2013, CG extended Ms. Sorensen's employment agreement for two years. On October 1, 2015, the agreement was extended again for an additional one-year term. As of October 1, 2015, the Company's DubLi subsidiary entered into a consulting agreement with a Dubai company owned by Ms. Sorensen whereby the consulting company agrees to provide full time services of Ms. Sorensen on the same terms and conditions as the prior employment agreement. The annual compensation is \$180,000.

On September 1, 2016, Ms. Sorensen entered into a new employment agreement with the Company which superseded her previous agreement and appointed her as Chief Operating Officer for a term of five years, renewable for each successive one-year period. Under the employment agreement, Ms. Sorensen is paid an annual base salary of \$240,000 and is due a severance payment of three months of base salary in the event she is terminated without cause in the first 12 months of her employment, which shall increase to six months of base salary if terminated thereafter. Ms. Sorensen was also granted 300,000 shares of restricted common stock in December 2016 which shall vest in sixty (60) equal monthly installments. The restricted common stock shall have an exercisable price equal to the market price of the Company's common stock on the date the stock was approved by the Board of Directors.

**Thomas Vogl**

Effective August 24, 2015, Mr. Vogl entered into an employment agreement with the Company to serve as Chief Marketing Officer for an initial term of five years, renewable for each successive one-year period. Under the employment agreement, Mr. Vogl was paid an annual base salary of \$215,000. Mr. Vogl was also granted the right to 100,000 options to purchase the Company's common stock which were scheduled to vest in 60 equal monthly installments. The options have an exercise price of \$5.50 per share. Mr. Vogl is restricted from competing with the Company during the course of his employment and for a period of one year after his employment has been terminated. On February 1, 2016, the Company and Mr. Vogl entered into a Separation Agreement whereby Mr. Vogl received compensation for four months.

**Jeffrey Schuett**

Effective October 28, 2015, Mr. Schuett entered into an employment agreement with the Company to serve as Executive Vice President of Operations and Solutions Development for an initial term of five years, renewable for each successive one-year period. Under the employment agreement, Mr. Schuett was paid an annual base salary of \$250,000. Mr. Schuett was also granted the right to 100,000 options to purchase the Company's common stock which was scheduled to vest in 12 equal quarterly installments. The options have an exercise price of \$7.00 per share. Mr. Schuett is restricted from competing with the Company during the course of his employment and for a period of one year after his employment has been terminated. On January 25, 2016, the Company and Mr. Schuett entered into a Separation Agreement whereby Mr. Schuett received compensation for four months.

**Mitchell Hill**

Mr. Hill, who also serves as a Director of the Company and has served as Chairman of the Audit Committee, was appointed Interim CEO by the Company's Board of Directors on January 26, 2016 and ceased serving as Interim CEO on June 1, 2016. Mr. Hill is the Co-Founder and Chief Financial Officer of Fortunato Capital Management, Inc., a real estate private equity firm. Prior to Fortunato, from 2013 to 2015, Mr. Hill was Executive Vice President and CFO of Alphaeon, Inc., a subsidiary of Strathspey Crown, LLC. Mr. Hill has an extensive and successful track record with private equity and venture capital-backed firms including his service as CFO of Cameron Health, Inc. from 2010 to 2012 (sold to Boston Scientific) and Visiogen Inc. from 2008-2010 (sold to Abbott Medical Optics).

**Equity Compensation Arrangements****2010 Omnibus Equity Compensation Plan**

The Company has a single plan for granting equity incentives – the 2010 Omnibus Equity Compensation Plan (the “Plan”). The Plan was approved on September 30, 2010 by Michael Hansen, who held a majority of voting power at the time and by the Company's Board of Directors. The Plan, as adopted, had an aggregate limit of 1 million shares of common stock for all awards. In April 2015, Michael Hansen, who still held a majority of voting power, approved a 2 million share increase, raising the total number of shares of common stock issuable under Plan awards to 3 million. The increase in the number of shares took effect on June 9, 2015, or 20 days after an information statement was delivered to the stockholders. The information statement constituted both approval of the Plan and the increase in number of issuable shares by the shareholders under the 1934 Exchange Act. A copy of the Plan was part of the information statement delivered to the stockholders.

Also refer to “Subsequent Events” section on page 43 for additional information about shares authorized in the 2010 Omnibus Equity Compensation Plan.

The Plan has been implemented in order to attract, incentivize and retain highly qualified individuals and keep the Company competitive with other companies with respect to executive compensation. The Company believes that directors, officers and other employees should have a significant stake in the Company's stock price performance under programs which link compensation to stockholder return. As a result, stock option grants and other equity incentives are an integral part of the Company's compensation program.

	September 30, 2016
Initially reserved	1,000,000
Additionally reserved - board and stockholder action	2,000,000
	<u>3,000,000</u>
Options granted since inception, net of exercised, forfeited, expired or cancelled	440,968
Stock options exercised and stock grants issued since inception	1,977,747
Available for issuance under the Plan*	<u>581,285</u>

\* excludes options pending for issuance in October, 2016.

## Pension Benefits

None of our named executive officers are covered by a pension plan or other similar benefit plan that provides for payments or other benefits at, following, or in connection with retirement.

## Nonqualified Deferred Compensation

None of our named executive officers are covered by a defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

## Outstanding Equity Awards

The following table provides information as of September 30, 2016, regarding equity awards held by each of our named executive officers.

	Option Awards				
	# of Securities Underlying Unexercised Options (# Exercisable)	# of Securities Underlying Unexercised Options (# Unexercisable)	Equity Incentive Plan Awards: # of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$/sh)	Option Expiration Date
Michael Hansen	-	-	-	-	-
Andreas Kusche	-	-	-	-	-
Betina Dupont Sorensen	-	-	-	-	-
Raoul Quijada					
Mitch Hill	15,000	5,000	-	5.50	7/30/22

	Restricted Stock Awards		
	Market value of shares of units of stock that have not vested	# of Securities Unvested (# non-transferable)	Equity Incentive Plan Awards: # of Securities Underlying Unvested(#)
Michael Hansen	\$ 260,800	80,000(1)	-
Andreas Kusche	\$ 81,500	25,000(2)	-
Betina Dupont Sorensen	\$ 81,500	25,000(2)	-
Raoul Quijada	-	-	-
Mitch Hill	-	-	-

(1) Mr. Hansen's restricted stock grant was issued in September 2015, and shares vest in 60 equal monthly installments.

(2) Mr. Kusche's and Ms. Dupont Sorensen's restricted stock grants were issued in August 2015. The restricted stock grants vest as follows: 50,000 shares vested on the grant date and the remaining 50,000 vest in 8 equal quarterly installments.

## **Termination and Change in Control Arrangement**

We have entered into employment agreements with certain of our executive officers that require us to provide compensation to them upon termination of their employment with us or a change in control of the Company. Regardless of the manner in which their employment terminates, they will be entitled to receive amounts earned during the term of their employment. Such amounts include the portion of their current annual base salary and bonuses which have accrued through the date of termination, vested stock options, and payment for accrued but unused vacation.

In addition to the consideration described above, the amount of compensation payable to each of the Company's executive officers named below following termination or a change of control is discussed below.

## **Employment, Severance and Change in Control Agreements**

### Hansen

Our new Employment Agreement with Mr. Hansen dated November 17, 2016 provides that upon termination of his employment by the Company, other than for "cause," or by him for "good reason," he is entitled to receive any unpaid salary, bonus and unreimbursed expenses plus severance payments paid in accordance with Company's payroll in the amount of 12 months of base salary (as then in effect). Mr. Hansen has been granted 500,000 shares of restricted common stock which shall vest on the later of (i) January 1, 2017; (ii) three (3) business days after the listing of the Company's common stock on the NASDAQ Capital Market; or (iii) such other date as may be approved by the Board.

Mr. Hansen is entitled to twenty-four (24) months of severance pay if such termination occurs within twenty-four (24) months following a change in control, subject to the provisions in the Employment Agreement, and payable in accordance with the Company's normal payroll. Unless otherwise approved by the Board, Mr. Hansen shall not be entitled to accelerated vesting or any other enhanced benefits with respect to any awards under any Ominto Equity Plan, or any enhanced severance benefits under this Agreement or otherwise, as a result of a change in control (or any similar event).

### Kusche and Sorenson

We entered into an employment agreement with each of Andreas Kusche and Betina Dupont Sorensen that was previously extended until September 30, 2016. The original agreements provided that upon termination of employment by the Company, other than for "cause," or "disability" each was entitled to receive any unpaid salary, bonus and unreimbursed expenses plus severance payments equal to (i) pro rata bonus for the fiscal year of termination based on actual performance through the end of the applicable fiscal year and the number of days that elapsed in the fiscal year through the date of termination, (ii) 18 monthly payments of base salary and target annual bonus following termination, (iii) continuation of medical benefits for 18 months, and (iv) accelerated vesting of any outstanding options or stock awards. Upon termination upon death or disability, each would receive the above described benefits except that no base salary and or target annual bonus would be due. As of October 1, 2015, we entered into a replacement agreement with a consulting company owned by each of them, and the replacement agreement reduced the severance upon termination from 18 months to 6 months to comport with the severance provided to the other executive officers of the Company.

On September 1, 2016, Ms. Sorensen entered into a new employment agreement with the Company which superseded her previous agreement and appointed her as Chief Operating Officer for a term of five years, renewable for each successive one-year period. Under the employment agreement, Ms. Sorensen is paid an annual base salary of \$240,000 and is due a severance payment of three months of base salary in the event she is terminated without cause in the first 12 months of her employment, which shall increase to six months of base salary if terminated thereafter.

## **Director Compensation**

Non-employee directors receive \$3,000 per month until April 1, 2015, when compensation for them was reduced to \$2,500 per month. The Chairman of the Board receives \$5,000 per month. No additional compensation is paid for participation in Board committees. In September 2015, each non-employee director was granted an option to purchase 20,000 shares of our common stock, vesting one third on grant, and the balance vesting quarterly over two years. In addition, our Chairman was awarded an additional option to purchase 40,000 shares of our common stock for additional services as Chairman, which vested in full on the grant date. No stock options were granted during the 2016 fiscal year to non-employee directors.

The Company had an advisory board composed of between four to ten business experts who were previously compensated at a rate of \$1,500 per month. The Company's advisory board was dissolved effective April 1, 2016. In August 2015, each member of the advisory board was granted an option to purchase 10,000 shares of our common stock, vesting in 12 equal quarterly installments. The advisory board members were: Bradley Thatcher, Enoch Palmer, Michael Lohner, William Flury and Ajay Pahwa. No stock options were granted during the 2016 fiscal year to non-employee advisory board members.

We reimburse all directors for travel and other necessary business expenses incurred in the performance of director services and extend coverage to them under our directors' and officers' indemnity insurance policies.

#### Director Compensation Table

The following table sets forth compensation received by our non-employee directors in the fiscal year ended September 30, 2016.

Director*	Fees				Total
	Earned or Paid in Cash	Stock Awards	Option Awards	Other(3)	
David C. Pollei(1)	\$ 60,000	\$ -	\$ -	\$ 15,000	\$ 75,000
Gray S. Baughman	33,000	-	-	9,000	42,000
Gregory J. Newell	30,000	-	-	9,000	39,000
Mitch C. Hill(2)	9,000	-	-	-	9,000
Peter H. Harris	30,000	-	-	9,000	39,000

\* Mr. Hansen received no additional compensation for serving as a director or serving on committees of the Board or for special assignments during the period reflected because each was then an employee.

(1) Mr. Pollei received \$25,000 for consulting services during fiscal 2016.

(2) Mitch Hill served as the Company's Interim CEO from January 26, 2016 to June 1, 2016 and did not receive additional compensation for serving as a Director during that time.

(3) Amounts reflect Board fees for January 2016 to March 2016 which were paid in shares of common stock on November 30, 2016.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table is based on information provided to us or filed with the SEC by our directors, executive officers and principal stockholders. Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting and investment power with respect to shares. Shares of common stock issuable upon vesting of restricted stock, or exercise or conversion of options, warrants or promissory notes that are currently exercisable or convertible or are vesting, exercisable or convertible within 60 days after September 30, 2016 are deemed outstanding for purposes of computing the percentage ownership of the person holding such securities, but are not deemed outstanding for computing the percentage of any other stockholder. The percentage of shares owned is calculated based upon 13,386,538 outstanding shares. Unless otherwise indicated, the address for each stockholder listed in the following table is c/o Ominto, Inc. at 1515 S. Federal Highway, Suite 307, Boca Raton, Florida 33432.

### Common Stock

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percentage of Class Owned (%)
<b>Officers and Directors</b>		
Michael Hansen (2)	2,834,494	21.1%
Betina Dupont Sorensen (3)	204,883	1.5%
Andreas Kusche (4)	181,879	1.4%
Gregory J. Newell (5)	21,755	*
David C. Pollei (6)	89,314	*
Gary S. Baughman (7)	35,089	*
Mitch Hill (8)	95,904	*
Peter Harris (9)	35,089	*
<b>Total</b>	<b>3,498,407</b>	<b>25.4%</b>
<b>Officers and directors as a group - 8 persons)</b>		
<b>5% or greater holders</b>		
K Foundation (10)	1,221,052	9.1%
Joseph Saouma (11)	800,000	6.0%
Ominto Invest ApS (12)	790,000	5.9%
Sleiman Chamoun (13)	768,000	5.7%
<b>Total Affiliates</b>	<b>3,579,052</b>	<b>26.7%</b>

### **\* Less Than 1% of Class Owned**

- (1) A person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days from the date hereof upon exercise of options and warrants and upon conversion of convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants and convertible securities that are held by such person (but not those held by any other person) and that are exercisable or convertible within 60 days from the date hereof have been exercised or converted.
- (2) Mr. Hansen holds 1,973,633 shares of common stock and 1,400,000 shares of common stock underlying a grant of restricted stock; of which 460,835 have expired, 839,165 shares have been issued and 21,666 shares are vested but unissued and shall vest within 60 days from the date hereof. Mr. Hansen disclaims a pecuniary interest in shares of common stock held by Ms. Sorensen or their adult child who shares their household. As a member of Ms. Sorensen's household, Mr. Hansen may be deemed to have a pecuniary interest in any shares held by Ms. Sorensen or their adult child sharing their household. Mr. Hansen's address is Arabian Ranches Polo Homes, Villa 20, Dubai, U.A.E.
- (3) Includes 13,633 of shares of common stock and 210,000 shares underlying a grant of restricted stock; of which 150,000 shares have been issued, 25,000 shares underlie vested stock awards, and 16,250 shares will vest within 60 days of the date hereof. Ms. Sorensen disclaims a pecuniary interest in any other shares of common stock, including those shares of common stock held by Mr. Hansen and their adult child who shares their household. As a member of Mr. Hansen's household, Ms. Sorensen may be deemed to have a pecuniary interest in any shares held by Mr. Hansen or their adult child. Ms. Sorensen's address is Arabian Ranches Polo Homes, Villa 20, Dubai, U.A.E.
- (4) Includes 12,629 shares of common stock and 188,000 shares underlying a grant of restricted shares of common stock; of which 138,000 shares have been issued, 25,000 shares underlie vested stock awards and 6,250 shares will vest within 60 days of the date hereof. Mr. Kusche's address is Norton Court I, Apt 010, P.O. Box 644783, U.A.E.

- (5) Includes 2,588 shares of common stock and 24,167 shares underlying option grants; of which 13,333 shares have vested but have not been issued, and 5,834 shares will vest within 60 days of September 30, 2016.
- (6) Includes 4,314 shares of common stock and 100,000 shares underlying an option grant; of which 80,000 shares have vested but have not been issued, and 5,0000 shares will vest within 60 days of September 30, 2016.
- (7) Includes 15,922 shares of common stock, and 24,167 shares underlying option grants; of which 13,333 shares have vested but have not been issued, and 5,834 shares will vest within 60 days of September 30, 2016.
- (8) Includes 26,402 shares of common stock and 64,095 shares underlying option grants/ of which 13,333 shares have vested but have not been issued, and 45,762 shares will vest within 60 days of September 30, 2016.
- (9) Includes 15,922 shares of common stock and 24,167 shares underlying option grants; of which 13, 333 shares have vested but have not been issued, and 4,167 shares will vest within 60 days of September 30, 2016.
- (10) Includes 80,000 shares owned by Tom Kajaer, who is the parent of the minor beneficiaries of K Foundation and brother of Soren Kajaer, the protector of the Foundation. Also includes 223,052 shares owned by Kjaer Holding, which is controlled by Tom Kajaer. K Foundation is controlled by, and shares are voted by, Soren Kjaer. The beneficial owners of K Foundation are Phillip Kjaer and Frederik Kjaer who are minors. The foundation's address is Mayee Management Limited 19/F., Seaview Commercial Building 21-24 Connaught Road West, Hong Kong.
- (11) Includes 800,000 shares of common stock. Mr. Saouma's address is Amine Gemayel Street, 226, Beirut, Achrafleh, Lebanon.
- (12) Includes 640,000 shares of common stock held by Ominto Invest ApS and 150,000 shares of common stock underlying restricted shares held by Paseco ApS, an entity under common control with Ominto Invest ApS. Ominto Invest ApS is controlled by Mr. Ole Ailgaard and its address is c/o Ole Abildgaard, Dan Foursrshes 3 5580 NRAABY Denmark.
- (13) Includes 768,000 shares of common stock. Mr. Chamoun's address is Villa Chamoun, Vazzat El Bwar Fatka, Lebanon.

**Super Voting Preferred stock :**

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership Before Offering (1)	Percentage of Class Owned Before Offering (%)	Amount and Nature of Beneficial Ownership After Offering (1)	Percentage of Class Owned After Offering (%)
Michael Hansen (1)	185,000	100%	100.0	100.0

- (1) Consists of 185,000 shares of "Super Voting Preferred Stock" which is entitled to 40 votes per share. Each share of preferred stock is convertible into one share of common stock upon the earlier of a "Change in Control Transaction" approved by the stockholders of the Company or a transfer of any such share of preferred stock or August 17, 2017.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

In addition to the cash and equity compensation arrangements of our directors and executive officers discussed above under "Director Compensation" and "Executive Compensation," the following is a description of transactions since October 1, 2013, to which we have been a party in which the amount involved exceeded or will exceed \$120,000 and in which any of our directors, executive officers, beneficial holders of 5% or more of our capital stock, or entities affiliated with them, had or will have a direct or indirect material interest. Each Related Party Transaction has been approved by our Board, Audit Committee or Compensation Committee.

**Transactions with Mr. Hansen and the Board**

	Year ended September 30, 2016	Year ended September 30, 2015
Amounts due for advances by Mr. Hansen	\$ 269,978	\$ 397,480
Amounts due for services rendered	50,000	27,762
	<u>\$ 319,978</u>	<u>\$ 425,242</u>

Amounts due for advances by Mr. Hansen resulted from Mr. Hansen advancing funds to the Company to meet operating expenses. Amounts due for services rendered is accrued compensation due to the officers of the Company and unpaid Board of Directors fees. Amounts due for advances and services rendered are non-interest bearing and have no terms of repayment.

During fiscal year 2016, the Company repaid \$397,000 of advances owed to Mr. Hansen. As of September 30, 2016, the Company owed Mr. Hansen approximately \$269,000 for advances. In addition, the Company owed Mr. Hansen \$50,000 for services rendered at September 30, 2016.

Mr. Hansen and Ms. Sorensen share a household and have an adult child who shares their household.

#### **Transactions with 5% or Greater Holders**

Mr. Sleiman Chamoun, a former lender to the Company and holder of greater than 5% of our outstanding common stock, invested \$500,000 in a private placement on August 14, 2015. He purchased 100,000 restricted shares of our common stock at \$5.00 per share and received a warrant to purchase 100,000 shares of common stock at a \$2.50 per share. The warrant was exercisable for 60 days following issuance, and was exercised in October 2015 prior to its expiration for consideration totaling \$250,000.

#### *Director Independence*

Our Board of Directors annually determines the independence of each director, based on the independence criteria set forth in the listing standards of the Marketplace Rules of NASDAQ. Based on its review, the Board determined that Messrs. Baughman, Harris, Newell, and Pollei are independent under the NASDAQ criteria for independent board members.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

##### ***Independent Registered Public Accounting Firm***

On August 26, 2014, Mayer Hoffman McCann P.C. was appointed to serve as the Company's independent registered public accounting firm beginning with the quarterly reviews and year-end audit of the September 30, 2013 consolidated financial statements.

##### ***Fees of the Independent Registered Public Accounting Firm's***

The following table shows the aggregate fees billed to the Company by our independent registered public accounting firms for services rendered during the years ended September 30, 2016 and 2015.

	2016	2015
Audit fees (1)	\$ 401,893	\$ 445,655
Tax fees	11,750	-
All other fees	4,945	19,820
Total fees	<u>\$ 418,588</u>	<u>\$ 465,475</u>

(1) Includes fees associated with the fiscal year audit, reviews of the Company's quarterly reports on Form 10-Q, and other securities filings. For 2015, the amount included \$175,000 for fiscal 2014 year-end audit and quarterly reports review which have been contracted.

Our Audit Committee of the Board of Directors has adopted the policy to pre-approve audit and permissible non-audit services provided by our independent auditors.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-1
Consolidated Financial Statements:	
<a href="#">Consolidated Balance Sheets</a>	F-2
<a href="#">Consolidated Statements of Operations</a>	F-3
<a href="#">Consolidated Statements of Comprehensive Income (Loss)</a>	F-4
<a href="#">Consolidated Statements of Stockholders' Equity (Deficit)</a>	F-5
<a href="#">Consolidated Statements of Cash Flows</a>	F-6
<a href="#">Notes to Consolidated Financial Statements</a>	F-7

(b) Exhibits

See the Exhibit Index following the signature page of this report, which Index is incorporated herein by reference.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

### **Ominto, Inc. and Subsidiaries**

We have audited the accompanying consolidated balance sheets of Ominto, Inc. and subsidiaries (collectively, the "Company") as of September 30, 2016 and 2015, and the related consolidated statements of operations, accumulated comprehensive income (loss), stockholders' equity (deficit), and cash flows for each of the two years in the period ended September 30, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ominto, Inc. and subsidiaries as of September 30, 2016 and 2015, and the results of their operations and their cash flows for each of the two years in the period ended September 30, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ Mayer Hoffman McCann P.C.

Boca Raton, Florida  
December 29, 2016

**Ominto, Inc. and Subsidiaries**

## Consolidated Balance Sheets

	September 30,	
	2016	2015
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 9,596,394	\$ 3,531,124
Restricted cash	1,997,921	1,434,699
Other receivables and prepaid expenses	573,958	480,268
Deferred costs	7,431,751	4,061,592
Total current assets	19,600,024	9,507,683
Property and equipment, net	2,042,316	1,550,390
Other assets	42,471	-
<b>TOTAL ASSETS</b>	<b>\$ 21,684,811</b>	<b>\$ 11,058,073</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 1,560,001	\$ 1,166,684
Amounts payable to Business Associates	5,114,675	1,973,216
Customer deposits	2,829,220	1,948,030
Other payables and accrued liabilities	3,129,671	2,335,217
Derivative liability	-	715,575
Note payable	-	3,301,224
Amounts due to related parties	539,438	425,242
Deferred subscription fee revenues	13,111,338	8,233,180
Deferred advertising revenues	2,897,835	42,260
Liabilities of discontinued operations	26,975	58,857
Total current liabilities	29,209,153	20,199,485
<b>TOTAL LIABILITIES</b>	<b>29,209,153</b>	<b>20,199,485</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock		
25 million shares authorized, \$0.01 par value, 185,000 shares issued and outstanding	1,850	1,850
Common stock		
14 million shares authorized, \$0.001 par value, 13.4 million (2016) and 11.0 million (2015) shares issued and outstanding (200 million shares currently authorized)	13,386	11,008
Additional paid-in-capital	51,120,663	39,185,136
Accumulated other comprehensive income	936,705	956,174
Accumulated deficit	(59,596,946)	(49,295,580)
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>(7,524,342)</b>	<b>(9,141,412)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 21,684,811</b>	<b>\$ 11,058,073</b>

*See accompanying notes to consolidated financial statements*

**Ominto, Inc. and Subsidiaries**  
Consolidated Statements of Operations

	For the years ended September 30,	
	2016	2015
Revenues:		
Business license fees	\$ 2,896,616	\$ 4,613,469
Membership subscription fees and commission income	14,261,671	15,503,048
Advertising and marketing programs	151,066	979,446
Other	387,109	193,292
	<u>17,696,462</u>	<u>21,289,255</u>
Cost of revenues	<u>10,824,832</u>	<u>13,101,834</u>
Gross income	6,871,630	8,187,421
Selling, general and administrative expenses	17,454,406	19,591,698
Software impairment charges	-	324,335
Loss from operations	(10,582,776)	(11,728,612)
Interest expense	298,827	98,122
Decrease/(Increase) in fair value of derivative liability	<u>(549,656)</u>	<u>409,026</u>
Loss before income taxes	(10,331,947)	(12,235,760)
Income taxes	-	-
Loss from continuing operations	(10,331,947)	(12,235,760)
Income from discontinued operations, net of taxes	<u>30,581</u>	<u>540,170</u>
Net loss	<u>\$ (10,301,366)</u>	<u>\$ (11,695,590)</u>
Income/(loss) per share		
Basic and diluted:		
Continuing operations	\$ (0.85)	\$ (1.35)
Discontinued operations	\$ 0.00	\$ 0.06
Total loss per share	<u>\$ (0.85)</u>	<u>\$ (1.29)</u>
Weighted average common shares outstanding		
Basic and diluted	<u>12,053,382</u>	<u>9,049,877</u>

*See accompanying notes to consolidated financial statements*

**Ominto, Inc. and Subsidiaries**

## Consolidated Statements of Comprehensive Income (Loss)

	For the years ended September 30,	
	<u>2016</u>	<u>2015</u>
Net loss	\$ (10,301,366)	\$ (11,695,590)
Foreign currency translation adjustment	<u>(19,469)</u>	<u>1,309,225</u>
Comprehensive loss	<u>\$ (10,320,835)</u>	<u>\$ (10,386,365)</u>

*See accompanying notes to consolidated financial statements*

**Ominto, Inc. and Subsidiaries**

## Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred stock		Common stock		Additional paid-in capital	Accumulated other	Accumulated deficit	Total equity (deficit)
	Shares outstanding	Par value	Shares outstanding	Par value		comprehensive income (loss)		
Balance, September 30, 2014	185,000	1,850	8,644,093	8,644	25,539,401	(353,051)	(37,599,990)	(12,403,146)
Stock based compensation	-	-	-	-	1,296,099	-	-	1,296,099
Common stock issuances for services	-	-	1,062,978	1,064	5,850,936	-	-	5,852,000
Private Placements	-	-	900,000	900	4,499,100	-	-	4,500,000
Debt Conversion	-	-	400,000	400	1,999,600	-	-	2,000,000
Foreign currency translation adjustment	-	-	-	-	-	1,309,225	-	1,309,225
Net loss	-	-	-	-	-	-	(11,695,590)	(11,695,590)
Balance, September 30, 2015	185,000	1,850	11,007,071	11,008	39,185,136	956,174	(49,295,580)	(9,141,412)
Stock based compensation	-	-	-	-	1,086,831	-	-	1,086,831
Common stock issuance for services	-	-	656,533	656	2,053,564	-	-	2,054,220
Private Placements	-	-	821,489	821	3,380,113	-	-	3,380,934
Conversion of debt and derivative liability	-	-	800,000	800	5,165,119	-	-	5,165,919
Exercise of warrant	-	-	100,000	100	249,900	-	-	250,000
Adjustment reverse stock split	-	-	1,445	1	-	-	-	1
Foreign currency translation adjustment	-	-	-	-	-	(19,469)	-	(19,469)
Net loss	-	-	-	-	-	-	(10,301,366)	(10,301,366)
Balance, September 30, 2016	185,000	\$ 1,850	13,386,538	\$ 13,386	\$51,120,663	\$ 936,705	\$(59,596,946)	\$ (7,524,342)

*See accompanying notes to consolidated financial statements*

**Ominto, Inc. and Subsidiaries**

## Consolidated Statements of Cash Flows

	For the years ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net loss from continuing operations	\$ (10,331,947)	\$ (12,235,760)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	227,959	198,917
Provision for bad debts	448,081	123,541
Software impairment charges	-	324,335
Loss/(gain) on disposition of property and equipment	9,348	(17,321)
Reversal of estimated expense accrual	(191,312)	-
Stock based compensation	1,086,831	1,296,099
Common stock issuances for services	2,054,220	5,852,000
(Increase) decrease in fair value of derivative liability	(549,656)	409,026
Changes in operating assets and liabilities:		
Restricted cash	(557,948)	(774,076)
Other receivables and prepaid expenses	(538,365)	(77,526)
Deferred costs	(3,348,512)	(2,003,691)
Other assets	(42,471)	45,045
Accounts payable	852,234	(626,265)
Amounts payable to Business Associates	3,303,871	297,066
Customer deposits	875,048	1,037,080
Other payables and accrued liabilities	599,041	280,585
Amounts due to related parties	141,958	(998,918)
Deferred subscription fee revenues	4,855,405	2,661,951
Deferred advertising revenues	2,828,640	(1,019,146)
Net cash flows from continuing operations	1,722,425	(5,227,058)
Income (loss) from discontinued operations	30,581	540,170
Net change in asset and liabilities of discontinued operations	(31,432)	(530,673)
Net cash flows from discontinued operations	(851)	9,497
Net cash flows from operating activities	1,721,574	(5,217,561)
Cash flows from investing activities:		
Purchases of equipment and software	(729,323)	(630,934)
Proceeds from sale of land	-	1,242,590
Net cash flows from investing activities	(729,323)	611,656
Cash flows from financing activities:		
Proceeds from common stock issuances	3,380,933	4,500,000
Proceeds from exercise of warrant	250,000	-
Proceeds from convertible loan	1,400,000	-
Proceeds from note payable	-	3,600,000
Repayment of note payable	-	(500,000)
Repayment of note payable and advances from related party	-	(2,834,455)
Net cash flows from financing activities	5,030,933	4,765,545
Effect of foreign currency exchange rate changes on cash	42,086	1,259,672
Net change in cash and cash equivalents	6,065,270	1,419,312
Cash and cash equivalents, beginning of year	3,531,124	2,111,812
Cash and cash equivalents, end of year	\$ 9,596,394	\$ 3,531,124
Supplemental cash flow information:		
Cash paid for interest	\$ -	\$ 91,300
Cash paid for income taxes	\$ -	\$ -
<b>Non cash investing and financing activities:</b>		
Conversion of advances from related party to common stock	\$ -	\$ 2,000,000
Conversion of convertible loan to common stock	\$ 5,000,000	\$ -
Conversion of derivative liability to stockholders' equity	\$ 165,919	\$ -
Common stock issued for services	\$ 2,054,220	\$ 5,852,000



**Ominto, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**1. The Company**

On June 26, 2015, the Company changed its name to Ominto, Inc. from DubLi, Inc. Ominto, Inc., (“Ominto,” the “Company,” “we,” or “us”), through its wholly owned subsidiaries, is a global E-commerce Cash Back and network marketing company which operates a worldwide shopping portal. We market membership subscriptions directly to consumers and through partnership programs including our network marketing subsidiary. The Company is organized in Nevada and its principal executive offices are located in Boca Raton, Florida. The Company’s wholly-owned subsidiaries are incorporated in Florida, Delaware, the British Virgin Islands, Cyprus, the United Arab Emirates, India, and Ireland.

Our E-commerce Cash Back transactions throughout the world are conducted through DubLi.com’s shopping portal websites. During the third quarter of fiscal 2016, we added an Ominto.com website which offers Cash Back transactions. We have a large network of independent Business Associates who sell our E-commerce Cash Back products. Effective March 28, 2013 the Company discontinued its reverse auction program operations.

Mr. Michael Hansen, who is a director, has a direct ownership of approximately 2.8 million shares of our common stock and 185,000 shares of our Super Voting Preferred Stock as of September 30, 2016. Each share of our Super Voting Preferred Stock votes as 40 shares of common stock. As a result, Mr. Hansen had the power to cast approximately 48% of the votes that could be cast by our stockholders. Accordingly, he has the power to influence or control the outcome of important corporate decisions or matters submitted to a vote of our stockholders, including, but not limited to, increasing the authorized capital stock of the Company, the dissolution or merger of the Company, sale of all of the Company’s assets or changing the size and composition of the Board of Directors.

*Reverse Stock Split*

On August 15, 2015, our board and a stockholder holding a majority of the stockholder votes approved a reverse split of common stock at a ratio of 1-for-20 to 1-for-100 with the board of directors having discretion to set the ratio. On November 1, 2015, our board approved a reverse stock split of our common stock at a ratio of 1-for-50 (the "Reverse Split"). The Company effectuated the Reverse Split on November 4, 2015, and the shares of common stock began trading on a post-reverse split basis on November 6, 2015. The par value of common stock and Super-Voting Preferred was not adjusted as a result of the Reverse Split. The Reverse Split reduced the Company’s authorized shares from 700 million shares to 14 million shares. All issued and outstanding common stock, options for common stock, restricted stock awards, warrants, and convertible debt, and per share amounts have been retroactively adjusted to reflect this Reverse Split for all periods presented. The voting and conversion rights of the Super Voting Preferred have been retroactively adjusted to reflect this Reverse Split for all periods presented.

## 2. Liquidity.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). For the year ended September 30, 2016, we incurred a loss from continuing operations of approximately \$10.3 million and generated cash flows from continuing operations of \$1.7 million. For the year ended September 30, 2015, we incurred a loss from continuing operations of \$12.2 million and used cash flows from continuing operations of \$5.2 million. The Company has an accumulated deficit for the period from our inception through September 30, 2016 of approximately \$59.6 million. As a result, the Company had a working capital deficit of approximately \$9.6 million as of September 30, 2016.

Our plans for the long-term include generating cash flows from the profitable operation of our business and financing our operations through sales of our common stock and/or debt. The Company’s Board of Directors and Executive Management reasonably believes that the Company will continue to exist to carry out all objectives, commitments, and stated goals for the immediate future. Profitability and positive cash flows from operations continue to improve. There is no significant information available to the contrary, as the company is currently able to meet all current and immediate obligations without substantial asset sales or restructuring. Also, with the introduction of the new operations platform and business model and the arrival of new executive management members, Management believes that the financial and business trends will continue to be positive for the foreseeable future. Furthermore, there are no known loan defaults, denial of trade credit from suppliers, and no known adverse legal proceedings that could materially affect the Company.

We continue to refine our Cash Back product offerings and improve our shopping portal, which places additional demands on future cash flows. Our future cash flow and capital requirements will depend on numerous factors including market acceptance of our shopping portal and revenues generated from our operations, the impact of competitive product offerings, and whether we are successful in acquiring additional customers on a large scale basis through partners. We also intend to increase our efforts to recruit Business Associates; We expect that a larger number of Business Associates will increase sales of our E-commerce Cash Back products. The marketing efforts will place additional demands on our cash flows. We cannot offer any assurance that we will be successful in generating revenues from operations, adequately addressing competitive pressures, acquiring additional customers through partners or growing our network of Business Associates.

On August 13, 2015, the Company sold 100,000 shares of common stock at \$5.00 per share in a private placement for a total cash consideration of \$0.5 million to a former lender to the Company. In conjunction with this transaction, warrants were also issued for the purchase of up to 100,000 shares of common stock at \$2.50 per share, exercisable for a period of sixty days from the date of issuance of the warrant. The warrant was exercised in October 2015 prior to its expiration for a total of \$250,000.

Upon conversion of \$5.0 million of convertible notes on November 7, 2015, the Company issued warrants to the investors for the purchase of a total of 300,000 shares of common stock at \$10.00 per share, exercisable for a period of one year from the date of issuance of the warrants.

On January 15, 2016, we sold 26,533 shares of common stock at \$8.00 per share for total cash consideration of \$0.2 million to a private investor.

On February 19, 2016 and February 22, 2016, we sold a total of 40,002 shares of common stock at a price of \$3.75 per share for total cash consideration of \$150,000 to three of our independent directors.

During the fourth quarter of fiscal year 2016, the Company sold 754,954 shares of common stock at \$4.00 per share in an unregistered private placement for total cash consideration of \$3.0 million to various foreign investors.

Refer also to Note 18, “Subsequent Events” on page F-25.

Beginning in January 2016, we implemented a series of changes to streamline our organization and reduce monthly operating expenses. Our efforts focused on reducing staffing costs, transferring certain functions to lower cost locations, consolidating our operations to fewer locations, and reducing our efforts on activities not related to our core operations. These changes were designed to conserve our resources and allow for continued investment in the completion and launch of our new Ominto.com and its related DubLi.com technology platform. The new platform launched in May 2016. As of the date of this filing it is still too early to tell if the platform will lead to the revenue growth the Company anticipates.

### 3. Summary of Significant Accounting Policies

#### *Basis of Presentation and Consolidation*

These consolidated financial statements and notes are presented in accordance with the rules and regulations of the United States Securities and Exchange Commission (“SEC”) in conformity with US GAAP and includes the accounts of Ominto, Inc. and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

#### *Use of Estimates*

The preparation of these consolidated financial statements, in conformity with US GAAP requires Management to make estimates and assumptions that affected the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

#### *Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board, (“FASB”), issued Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU 2014-09 is effective for annual periods beginning after December 15, 2017 and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted as of the effective date. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15 *Presentation of Financial Statements—Going Concern (Subtopic 205-40)* (“ASU 2014-15”). ASU 2014-15 requires that for each annual and interim reporting period, an entity’s management should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). The amendments in ASU 2014-15 are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of this guidance is not expected to have a material impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs (“ASU-2015-03”). ASU 2015-03 requires companies to present debt issuance costs as a direct deduction from the carrying value of that debt liability. ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is allowed for financial statements that have not been previously issued. Entities would apply the new guidance retrospectively to all prior periods (i.e., the balance sheet for each period is adjusted). The adoption of this standard is not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires that lessees recognize right-of-use assets and lease liabilities for any lease classified as either a finance or operating lease that is not considered short-term. The accounting applied by lessors is largely consistent from the existing lease standard. ASU 2016-02 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2018. Lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We have obligations under lease agreements for facilities, which are classified as operating leases under the existing lease standard. We are still evaluating the impact ASU 2016-02 will have on the consolidated results of operations, financial condition, and cash flows.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax consequences and classifications. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. We are currently evaluating the impact that the standard will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (“ASU 2016-08”), in April 2016 issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* (“ASU 2016-10”), and in May 2016, issued ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting* (“ASU 2016-11”). ASU 2016-08 clarifies principal versus agent considerations relating to when another party, along with the entity, is involved in providing a good or service to a customer. ASU 2016-08 requires an entity to determine whether the nature of its promise is to provide a good or service to a customer, or to arrange for the good or service to be provided to the customer by the other party. This determination is based upon whether the entity controls the good or service before it is transferred to the customer. When the entity that satisfies a performance obligation is the principal, the entity recognizes the gross amount of consideration as revenue. When the entity that satisfies the performance obligation is the agent, it recognizes the amount of any fee or commission as revenue. ASU 2016-10 clarifies the guidance in Topic 606 for identifying performance obligations in a contract as well as the implementation guidance pertaining to revenue recognition related to licensing arrangements. ASU 2016-11 rescinds several SEC Staff Announcements that are codified in Topic 605, including, among other items, guidance relating to accounting for consideration given by a vendor to a customer, as well as accounting for shipping and handling fees and freight services. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements.

In May 2016, the FASB also issued ASU 2016-12, *Revenue from Contracts with Customers - Narrow-Scope Improvements and Practical Expedients* (“ASU 2016-12”), which provides clarification on certain topics within ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), including assessing collectability, presentation of sales taxes, the measurement date for non-cash consideration and completed contracts at transition, as well as providing a practical expedient for contract modifications at transition. The effective date and transition requirements for the amendments in ASU 2016-08, ASU 2016-10 and ASU 2016-12 are the same as the effective date and transition requirements of ASU 2014-09, which is effective for fiscal years, and for interim periods within those years, beginning after December 15, 2017. The Company is evaluating the expected adoption method and potential effect of these ASUs on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, *Investments-Equity Method and Joint Ventures (Topic 323: Simplifying the Transition to the Equity Method of Accounting)* (“ASU 2016-07”). ASU 2016-07 eliminates the requirement that an investor retrospectively apply the equity method of accounting when an investment becomes qualified for the equity method of accounting as a result of an increase in the level of ownership or degree of influence. ASU 2016-07 requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. ASU 2016-07 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016, on a prospective basis, with early adoption permitted. The Company does not expect that this ASU will have a material effect on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). ASU 2016-15 reduces diversity in practice by providing guidance on the classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-15 clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. ASU 2016-15 is effective on a retrospective basis for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

In October 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control* (“ASU 2016-17”). ASU 2016-17 changes how a reporting entity considers indirect interests held by related parties under common control when evaluating whether it is the primary beneficiary of a VIE. ASU 2016-17 is effective on a retrospective basis for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* (“ASU 2016-16”), which eliminates the existing exception in U.S. GAAP prohibiting the recognition of the income tax consequences for intra-entity asset transfers. Under ASU 2016-16, entities will be required to recognize the income tax consequences of intra-entity asset transfers other than inventory when the transfer occurs. ASU 2016-16 is effective on a modified retrospective basis for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

#### *Foreign Currency*

Financial statements of foreign subsidiaries operating in other than highly inflationary economies are translated at period-end exchange rates for assets and liabilities and historical exchange rates during the period for income and expense accounts. The resulting translation adjustments are recorded within accumulated other comprehensive income or loss. Financial statements of subsidiaries operating in highly inflationary economies are translated using a combination of current and historical exchange rates and any translation adjustments are included in current earnings. Gains or losses resulting from foreign currency transactions are recorded in operating expense. The Company has no subsidiaries operating in highly inflationary economies.

In accordance with Accounting Standards Codification (“ASC”) 830, *Foreign Currency Matters*, companies with foreign operations or foreign currency transactions are required to prepare the statement of cash flows using the exchange rates in effect at the time of the cash flows. The Company uses an appropriately weighted average exchange rate for the period for translation if the result is substantially the same as if the rates at the dates of the cash flows were used. The consolidated statement of cash flows reports the effect of exchange rate changes on cash balances held in foreign currencies as a separate part of the reconciliation of the change in cash and cash equivalents during the year.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid instruments with original maturities of three months or less at the date of transaction to be cash equivalents.

The Company maintains its cash in bank deposit accounts in the United States, United Arab Emirates, Germany and India, which at times may exceed the federally insured limits in those countries. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### *Restricted cash*

The Company has agreements with organizations that process credit card transactions of the Company. The credit card processors have financial risk of chargebacks associated with the credit card transactions because the processor generally forwards the cash proceeds to the Company soon after each transaction is completed but before the expiration of the time period in which the purchaser may request a refund. The Company's agreements with the credit card processors allow them to create and maintain a reserve account by retaining a certain portion of the cash generated from the credit card transactions that would otherwise be delivered to the Company, herein known as "Restricted Cash". The reserve requirement with each card processor is set at their respective fixed percentage for all transactions to be held for their respective rolling term period from the date of the transaction.

#### *Accounts Receivable, net of Allowance for Doubtful Accounts*

Receivables are uncollateralized obligations due under normal trade terms, typically requiring payment within 30 days from invoice date. Accounts Receivable are included Other Receivable and Prepaid Expenses in the accompanying balance sheet as of September 30, 2016 and 2015.

Receivables are stated at the contractual amount billed, net of an allowance for doubtful accounts, if any. Accounts dated over 60 days old are considered past due. The Company estimates the allowance based on an analysis of specific accounts, taking into consideration the age of past due accounts and an assessment of the debtor's ability to pay. Interest income is not recognized on past due accounts.

#### *Property and Equipment, net*

Property and equipment are recorded at cost. Computers and equipment, computer software, furniture and fixtures are depreciated using the straight line method over their economic useful lives (five years). Leasehold improvements included in furniture and fixtures are amortized on a straight-line basis over the term of the lease. Land is not amortized. The cost of maintenance and repairs of equipment is charged to expense when incurred. When the Company sells, disposes or retires property and equipment, the related gains or losses are included in operating results.

#### *Internal-use Software and Website Development*

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful life of the software (60 months from the date of completion of the software development). Costs related to design or maintenance of internal-use software and website development are expensed as incurred. For the years ended September 30, 2016 and 2015, we capitalized \$641,692 and \$553,994, respectively, associated with internal-use software and website development.

#### *Impairment of Long-Lived Assets*

In accordance with ASC 360, *Property, Plant and Equipment - Subsequent Measurement* ("ASC 360"), the Company reviews the carrying value of our long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. The estimate of cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. Estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, changes to the business model or changes in operating performance. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, an impairment loss will be recognized, measured as the amount by which the carrying value exceeds the fair value of the asset. Fair value is determined using available market data, comparable asset quotes and/or discounted cash flow models.

#### *Fair Value of Financial Instruments*

The Company has adopted ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") for measurement and disclosures about the fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value using a three level hierarchy which prioritizes the inputs to valuation techniques used to measure fair value

The book value of the Company's financial instruments consisting of cash, receivables, deferred costs, accounts payable and accrued liabilities approximate their respective fair values because of the short maturity of these instruments.

The three levels of fair value hierarchy defined by ASC 820 are:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 - Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life; and

Level 3 - Inputs reflect Management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Valuation of instruments includes unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. We evaluate our hierarchy disclosures each quarter. Liabilities measured at fair value are summarized as follows as of:

September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivative liability	\$ -	\$ -	\$ -	\$ -

September 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivative liability	\$ -	\$ -	\$ 715,575	\$ 715,575

The fair value of the Derivative Liability of \$165,919 on the November 7, 2015 conversion date of the Convertible Notes to shares of the Company's common stock was determined using the Black-Scholes option pricing model using the following assumptions and was capitalized in Additional Paid in Capital along with the \$5.0 million carrying value of the Convertible Notes. See Note 9, "Derivative Liability," for further details.

#### *Revenue Recognition*

The Company recognizes revenues in accordance with ASC 605, *Revenue Recognition* which requires that four basic criteria be met before revenues can be recognized: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the selling price is fixed and determinable; and (iv) collectability is reasonably assured. Determination of criteria (iii) and (iv) are based on Management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and cash back to customers, estimated returns and allowances, and other adjustments are recorded in the same period the related revenues are recorded. The Company defers any revenues that are subject to refund, and, for which the product has not been delivered or the service has not been rendered.

DubLi Network, a wholly owned subsidiary of the Company has a global network marketing organization with Business Associate representatives in many countries throughout the world. The Company offers Business Associates a wide variety of products and services to sell to their customers, many of whom are also recruited to become Business Associates themselves. Business Associates earn commissions on sales of products and services that they sell directly, and earn commissions on "downstream" sales of products and services made by Business Associates that they recruit into the marketing network. The Company also offers various membership packages to customers and a Partner program whereby customers are recruited who shop on our DubLi shopping mall.

The Company's revenue recognition policies for each of its products and services are as follows:

*E-commerce and memberships*

- Business license fees - Business Associates pay an initial business license fee and partner program participants (excluding not-for-profit organizations) pay a setup fee for the marketing and training services provided by the Company which enables them to begin their sales of DubLi's products and services. The business license fee or partner setup fee is recognized as revenue ratably over twelve months.

Effective March 2014, our Business Associates were no longer required to pay a monthly fee to maintain their current membership status; these monthly fees were recorded as revenue in the respective period for which it was paid. Partner program participants continue to pay a monthly maintenance fee which is recorded as revenue in the respective period for which it was paid.

- Membership subscription fees - (i) Effective April 2014, our Business Associates were required to purchase our membership subscription products for resale in the form of a qualifying VIP membership or VIP membership packages for Business Associates or membership packages for DubLi's customers as described under item (ii) below. These membership subscription products have a shelf life of twelve months. Revenue is recognized ratably over a twelve-month period when any membership subscription product is activated or immediately upon expiry; (ii) DubLi customers who purchase a VIP membership package pay a monthly or an annual subscription fee, respectively. The monthly subscription fee is recorded as revenue in the respective period for which it was paid and the annual subscription fee is recognized ratably over the subscription period.

Multiple-element arrangements - When Dubli Network sells business licenses, VIP membership vouchers, training and certification programs and marketing programs to BAs in bundles, the transaction price is allocated to each component of Revenue in proportion to the stand-alone selling price. Stand-alone selling price is based on vendor-specific objective evidence ("VSOE") of fair value. VSOE of fair value is determined based on the price charged where each deliverable is sold separately or a price set by management with the relevant authority.

At the end of the fourth quarter of fiscal year 2015, the Company concluded that it had accumulated a sufficient level of historical data from a large pool of homogenous transactions to allow management to reasonably and objectively determine an estimated unused and expired VIP voucher rate and the pattern of VIP voucher redemptions. Under this method, revenue is recognized and the VIP voucher liability is derecognized for unredeemed VIP vouchers in proportion to actual VIP voucher redemptions. The Company believes this method is appropriate for recognizing revenue on expiration or use, because it better reflects the VIP voucher earnings process. In accordance with Accounting Standards Codification (ASC) Topic 250, "Accounting Changes and Error Corrections," The Company concluded this accounting change represented a change in accounting estimate effected by a change in accounting principle and include a revision in expected redemptions based on VIP voucher redemption patterns. Accordingly, we accounted for the change as a change in estimate utilizing the cumulative catch-up method. The impact of the cumulative catch-up recorded at the end of the fourth quarter 2015 was to reduce VIP voucher deferred revenue and increase Revenue by approximately \$9.3 million.

Membership Voucher Revenue is based on an analysis of estimated breakage and redemption effective rates. The breakage percentage rates are estimated based on historical trends and are adjusted periodically based on actual breakage rates. Membership Voucher Revenue and Deferred Revenue calculations are based on a ratable/'waterfall' method whereby the monthly purchases are allocated between redeemed vouchers and estimated breakage. This allocation is then amortized over a 12-month period. The allocations are based on actual experience from inception to the current date. Our evaluation of the redemption rates in 2016 revealed that the historical assumptions used in fiscal year 2015 should be changed. . In accordance with Accounting Standards Codification (ASC) Topic 250, "Accounting Changes and Error Corrections," The Company concluded this accounting change represented a change in accounting estimate. This change in our assumptions resulted in an increase in Revenue of approximately \$575,000, a decrease in our Loss from operations of approximately \$287,500 or a decrease in our Net loss of approximately of \$287,500 and a decrease in our Loss per share by approximately \$0.02/per share for the 2016 fiscal year.

We believe it is appropriate to recognize revenues on this basis in order to more closely match revenue and related costs. We believe that the use of recent historical data is reasonable and appropriate because of the relative stability of the average actual number of VIP membership's redeemed.

- Commissions - The Company receives varying percentages in commission income earned from merchants participating in its online shopping malls. These commissions are calculated based upon the agreed rates with the participating merchants on all our customers' transactions processed through our online mall platform and are recognized on an accrual basis based upon data obtained from the merchant. A percentage of the commission income is payable, in the form of cash back, to the customer for all purchase transactions. The Cash Back amount due the customer for the regular membership is accrued as a deduction from commission income at the time the commission income is recognized. The Cash Back amount due to customer for the VIP membership is recorded as a Cost of Revenue. Commissions receivable from merchants is included in other receivables and prepaid expenses and totaled \$120,000 and \$480,000 for the years ended September 30, 2016 and 2015, respectively.
- Advertising and marketing - Revenues for the respective advertising and marketing programs are recognized at a fixed rate per customer allocated to Business Associates in accordance with the terms and obligations under the programs or upon expiration based upon the following criteria - (i) when the Business Associate became inactive for twelve months and redemption was deemed remote, (ii) when the Business Associate accepted an exchange under any replacement program, or (iii) when waivers and releases were obtained from the Business Associate.

### *Deferred Revenues*

Deferred subscription fee revenues relate to unearned revenues associated with VIP memberships. The Company sells memberships and payments are received in advance of customers using the memberships.

### *Auctions (Discontinued Operations)*

Effective March 28, 2013, the Company discontinued its auctions program. Any remaining unused Credits owned by Business Associates following the discontinuance had been reclassified as a liability of discontinued operations. Unused credits associated with inactive Business Associates are recognized as revenues on the earlier of twelve months after termination of the auctions program or when waivers and releases are obtained from Business Associates who have opted to accept any replacement program.

Prior to March 28, 2013, revenues from the auctions program were recorded on a net basis of (i) bidding Credits used and broken in auctions, (ii) sale of goods and handling fees, and (iii) net auctioned value of gift cards. Net auctioned value of gifts cards was arrived at based upon the auctioned face value of the gift card less its associated cost of the gift card.

### *Cost of Revenues*

Cost of revenues are principally commissions based upon each Business Associate's volume of sales, any "Down-line" sales by other Business Associates under the sponsoring Business Associate, and purchase transactions through our Shopping Malls made by customers under the sponsoring Business Associate. Commissions due to Business Associates at the time of such transaction are recorded as deferred costs until the corresponding revenues are recognized. Special incentive bonuses are recognized when the Business Associate meets the sales target goals or specific criteria, and are recorded as deferred costs which are then expensed ratably as the corresponding revenues are recognized.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses include costs associated with advertising expenses, stock compensation, staff payroll costs, outside services, bank transaction fees, and other general administrative costs.

### *Comprehensive Income (loss)*

Comprehensive income (loss) is net earnings or loss after tax plus certain items that are recorded directly to stockholders' equity. Other than foreign currency translation adjustments, the Company has no other comprehensive income (loss) components.

### *Income Taxes*

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740") under which deferred tax assets and liabilities are determined based on temporary differences between accounting and tax bases of assets and liabilities and net operating loss and credit carry forwards, using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. A provision for income tax expense is recognized for income taxes payable for the current period, plus the net changes in deferred tax amounts.

In accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*, the Company adopted a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

In the event of a distribution of the earnings of certain international subsidiaries, the Company would be subject to withholding taxes payable on those distributions to the relevant foreign taxing authorities. Since the Company currently intends to reinvest undistributed earnings of these international subsidiaries indefinitely, the Company has made no provision for income taxes that might be payable upon the remittance or repatriation of these earnings. The Company has also not determined the amount of tax liability associated with an unplanned distribution of these permanently reinvested earnings. In the event that in the future the Company considers that there is a reasonable likelihood of the distribution of the earnings of these international subsidiaries (for example, if the Company intends to use those distributions to meet our liquidity needs), the Company will be required to make a provision for the estimated resulting tax liability, which will be subject to the evaluations and judgments of uncertainties described above.

The Company conducts business globally and, as a result, one or more of our subsidiaries file income tax returns in U.S. federal and state, and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in the countries in which each respective company operates. The Company is currently under ongoing tax examinations in several countries. While such examinations are subject to inherent uncertainties, the Company does not currently anticipate that any such examination would have a material adverse impact on its consolidated financial statements.

### *Earnings (loss) per Share*

The Company computes earnings (loss) per share in accordance with ASC 260, *Earnings per Share* which requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the consolidated statements of operations. Basic EPS is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares outstanding during the year. Diluted EPS gives effect to all dilutive potential common stock outstanding during the year using the treasury stock method and any convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the year is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

### *Stock-Based Compensation*

The Company accounts for stock-based compensation in accordance with ASC 718, *Share-Based Compensation*, which requires the use of the fair value method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (warrants and options). The fair value of each option award is estimated on the date of the stock option grant using the Black-Scholes valuation model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. Expected volatility is based on weighted average of the historical volatility of the Company's common stock and selected peer group comparable volatilities and other factors estimated over the expected term of the options. The expected term of stock options granted is derived using the “simplified method” which computes expected term as the average of the sum of the vesting term plus the contract term. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term. Stock-based compensation is included in Selling, General and Administrative expenses in the accompanying income statements with a corresponding amount included in Common Stock and Additional Paid in Capital in the accompanying balance sheets. The Company reduces its stock compensation expense for actual forfeitures of unvested stock options and warrants in the period in which the forfeiture occurs.

### *Segment Policy*

The Company derives its revenues from the E-Commerce cash back and Memberships segment which includes business license fees, membership subscription fees, commission income, and, advertising and marketing programs; and Auctions segment (reported as discontinued operations) as described in Note 17 - Segment Information.

## **4. Earnings/Loss Per Share**

Basic earnings or loss per share is computed by dividing net income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income or loss available to common shareholders by the number of fully diluted shares, which includes the effect of dilutive potential issuances of common shares as determined using income from continuing operations, including the potential issuance of common shares upon the exercise, conversion or vesting of outstanding stock options and unvested restricted shares, as calculated under the treasury stock method, as well as shares associated with the Company's convertible debt securities, which were converted during fiscal year 2016. When the Company reports a net loss, rather than net income, from continuing operations, the computation of diluted loss per share excludes dilutive common stock equivalents as their effect would be anti-dilutive. Therefore, weighted average dilutive common shares would be excluded from the calculation. The Company reported a net loss from continuing operations for the fiscal year ended September 30, 2016 and had no dilutive common stock equivalents at September 30, 2016 that affected diluted net loss per share for the related period.

For the year ended September 30, 2016, there was no potentially dilutive securities included in the dilutive weighted average shares, including outstanding stock options, warrants and other compensation arrangements. For the year ended September 30, 2015, potential dilutive securities, which consisted of outstanding stock options, warrants and other compensation arrangements amounted to approximately 2,307,900.

## **5. Restricted Cash**

Restricted cash represents chargeback reserves held by the Company's credit card processor. Amounts of restricted cash held, by type of currency were as follows:

	September 30,	
	2016	2015
Euro	\$ 136,835	\$ 123,360
Australian Dollar	7,247	9,167
Indian Rupee	181,752	-
United States Dollar	1,672,087	1,302,172
Total	<u>\$ 1,997,921</u>	<u>\$ 1,434,699</u>

## **6. Deferred Costs**

Deferred costs represent commission costs which are directly related to: (i) unearned subscription fees which are expensed ratably over the subscription periods; and (ii) advertising and marketing programs which are expensed when all services and obligations are fulfilled. Deferred costs expensed are included in cost of revenues.

## 7. Property and Equipment

Property and equipment comprised the following:

	September 30,	
	2016	2015
Land:		
Held for sales incentives	\$ 3,562,500	\$ 3,562,500
Less: Valuation allowance	(2,687,752)	(2,687,752)
	<u>874,748</u>	<u>874,748</u>
Computers and equipment	347,765	340,781
Computer software	-	-
Software development	1,193,386	551,694
Furniture and fixtures	176,295	111,478
	<u>1,717,446</u>	<u>1,003,953</u>
Accumulated depreciation	(549,878)	(328,311)
	<u>1,167,568</u>	<u>675,642</u>
	<u>\$ 2,042,316</u>	<u>\$ 1,550,390</u>

### *Land Held for Sales Incentives*

The Company acquired a land parcel consisting of 15 lots in the Cayman Islands in March 2010. As of September 30, 2016 and 2015, the land value of approximately \$0.9 million consisted of the contract price and land filled cost of approximately \$3.6 million less a valuation allowance of approximately \$2.7 million that was based on Management's evaluation of the estimated fair value.

The investment in the land parcel in the Cayman Islands is intended to provide incentive rewards to the best performing DubLi Business Associates upon attaining certain performance objectives.

### *Depreciation of Property and Equipment excluding Land*

Depreciation expense was \$227,959 and \$198,917 for the years ended September 30, 2016 and 2015, respectively.

## 8. Note Payable

On September 15, 2015, the Company entered into a convertible note payable agreement with two unrelated parties of the Company for a total of \$5.0 million to be used for general working capital (“the Convertible Note”). As of September 30, 2015, approximately \$3.6 million was received from the holders. During the first quarter of fiscal year 2016, an additional \$1.4 million was received from the holders. The notes bear interest at the three-month LIBOR rate (London Interbank Offered Rate) on the date of issuance which was 2%. The rate remained unchanged while the convertible note was outstanding. The principal balance and accrued interest would convert to common stock of the Company pursuant to a mandatory conversion provision or become due and payable September 15, 2017 if the conversion provision is not triggered. The notes mandatorily would convert five days after the Company files either an amendment to its articles of incorporation with the state of Nevada increasing its authorized shares and/or an amendment with the state of Nevada authorizing a reverse split of the Company’s issued and outstanding shares. The Company filed two amendments to its articles of incorporation with the State of Nevada on November 1, 2015 that triggered conversion of the Convertible Note to 800,000 shares of the Company’s common stock on November 7, 2015.

The \$5.0 million Convertible Note included detachable warrants for 300,000 shares of common stock that had a fair value of \$306,549 on September 15, 2015. The fair value of the warrants was recorded as a discount that reduced the \$5.0 million of proceeds to a net carrying value of \$4.7 million at September 30, 2015. Refer to Note 9, *Derivative Liability*, below for more information about the conversion feature in the Convertible Note that was treated as a derivative liability at September 30, 2015.

Interest expenses related to these notes, including amortization of the discount on the Convertible Note, totaled \$298,827 and \$22,580 for the years ended September 30, 2016 and 2015, respectively.

## 9. Derivative Liability

The Company analyzed the terms of the \$5.0 million Convertible Note entered into on September 15, 2015. The agreement required the Company to issue a stock purchase warrant for 300,000 shares of common stock to the holders of the notes upon conversion of the outstanding principal and accrued interest into common stock of the Company. The Company issued convertible debt with a warrant attached, due to the Company not having authorized shares available under its articles of incorporation. The warrants had a price-based anti-dilutive protection provisions (also known as “down round” provisions) and in accordance with *ASC Topic 815, “Contracts in Entity’s Own Equity”*, we were required to recognize the warrant as a derivative liability at its fair value as of September 30, 2015. The fair value of the derivative liability associated with these warrants on the date of issuance, September 15, 2015, was \$306,549. In addition, the Company recognized a charge for the increase in the fair value of the derivative liability for the year ended September 30, 2015 of \$409,026. The fair value of the derivative liability of the warrants as of September 30, 2015 was \$715,575. On November 7<sup>th</sup>, 2015 the convertible notes converted to 800,000 shares of the Company’s common stock and a stock purchase warrant for 300,000 shares of common stock was issued to the holders. During September, 2016, the detachable warrants for the 300,000 shares of stock expired unexercised. The Company, however, awarded 50,000 and 80,000 shares of stock to the two investors in June 2016.

The fair value of the Derivative Liability of \$165,919 on the November 7, 2015 conversion date of the Convertible Notes to shares of the Company’s common stock was determined using the Black-Scholes option pricing model using the following assumptions and was capitalized in Additional Paid In Capital along with the \$5.0 million carrying value of the Convertible Notes in the accompanying balance sheets at September 30, 2016.

	November 7, 2015	September 30, 2015
Risk-free interest rate	0.47%	0.33%
Expected life of derivative liability	1.0 years	1.5 years
Annualized volatility	70.0%	70.0%
Dividend rate	0%	0%

## 10. Amounts Due to Related Parties

Amounts due to related parties are as follows:

	September 30,	
	2016	2015
Amounts due for advances by Mr. Hansen and Best Invest Brokers	\$ 449,952	\$ 397,480
Amounts due to Mr. Hansen and to Ms. Sorenson for services	89,486	27,762
	<u>\$ 539,438</u>	<u>\$ 425,242</u>

During January, 2016 the Company paid Mr. Hansen, the Company's CEO, the balance of \$397,480 that was owed to him at September 30, 2015.

Amounts due for services rendered by Mr. Hansen, CEO, and Ms. Sorensen, COO, are accrued compensation. The balance due for services at September 30, 2016 was paid in shares of common stock on November 30, 2016. Mr. Hansen owns 25% of the shares and is the Managing Director of Best Invest Commercial Brokers Ltd, a UAE corporation. Ms. Sorensen owns 24% of the shares of Best Invest Commercial Brokers LLC. Amounts due for advances and services rendered are non-interest bearing and have no terms of repayment.

## 11. Discontinued Operations

The Company discontinued all of its reverse auction activities effective March 28, 2013. As a result, the operating results for the reverse auction program have been reclassified to income from discontinued operations in the consolidated statements of operations.

	For the years ended September 30,	
	2016	2015
Income from discontinued operations	30,581	540,170
Income taxes	-	-
Income from discontinued operations, net of taxes	<u>\$ 30,581</u>	<u>\$ 540,170</u>

All the costs associated with the Credits had been fully expensed as of the effective date of the termination of operations. The Company did not recognize a gain or loss on discontinued operations.

Included in liabilities of discontinued operations at September 30, 2016 and 2015 are unused Credits of approximately \$27,000 and \$60,000, respectively.

## 12. Income Taxes

The provision (benefit) for income taxes comprised the following:

	For the years ended September 30,	
	2016	2015
Income (loss) from continuing operations before income taxes:		
United States	\$ (6,081,135)	\$ (6,067,881)
Foreign	(4,250,812)	(6,167,879)
	<u>\$ (10,331,947)</u>	<u>\$ (12,235,760)</u>
Current tax expense (benefit):		
Federal	\$ -	\$ -
Foreign	-	-
	<u>-</u>	<u>-</u>
Deferred tax expense (benefit):		
Federal	-	-
Foreign	-	-
	<u>\$ -</u>	<u>\$ -</u>

The tax effect of significant items comprising our net deferred tax assets as of September 30, 2016 and 2015 are as follows:

	For the years ended September 30,	
	2016	2015
Deferred tax assets:		
Stock Options	\$ 940,463	\$ 822,093
Federal and state net operating loss carry forwards	3,306,772	1,952,844
Foreign net operating loss carry forwards	2,874,462	2,503,618
Land impairment	1,011,401	1,011,401
Other	97,757	183,518
Gross deferred tax assets	<u>8,230,855</u>	<u>6,473,474</u>
Less: Valuation allowance	(8,226,145)	(6,474,530)
Net deferred tax assets	4,710	(1,056)
Deferred tax liabilities	(4,710)	1,056
Net deferred taxes	<u>\$ -</u>	<u>\$ -</u>

At September 30, 2016, the Company has approximately \$8.8 million of net operating loss carryforwards for US federal income tax purposes that expire beginning in 2019. Due to Internal Revenue Code Section 382 limitations related to the change in ownership of the Company, the utilization of pre-acquisition net operating losses is limited on an annual basis. The Company had approximately \$20.4 million of foreign net operating loss carryforwards at September 30, 2016 that expire beginning in 2018.

In assessing the ability to realize the 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 on the generation of future taxable income during the period in which these temporary differences become deductible. Management considers the projected future taxable income and prudent and feasible tax planning strategies in making this assessment. As of September 30, 2016 and 2015, valuation allowances of approximately \$8.2 million and approximately \$6.5 million have been recorded, respectively. A valuation allowance has been established to reduce deferred income tax assets, principally domestic and foreign tax loss carryforwards to amounts more likely than not to be realized. Consequently, the change in the Company's valuation allowance of approximately \$1.7 million was primarily due to the change in federal and foreign net operating losses.

A reconciliation of U.S. statutory federal income tax rate related to pretax income (loss) from continuing operations to the effective tax rate for the years ended September 30, 2016 and 2015 is as follows:

	2016	2015
Statutory rate	34%	34%
Effect of change in tax rate	-	3
Permanent difference	(8)	(12)
Effect of foreign earnings	(10)	(12)
Change in valuation allowance	(17)	(15)
State tax effect, net of federal benefit	-	1
Effect of return to tax provision true up	1	1
Statutory rate	<u>0%</u>	<u>0%</u>

The Company operates as a US corporation with foreign subsidiaries. As a result, the Company's expected statutory rate is 34 percent and would apply to its foreign earnings if such amounts were earned in the US. The Company's foreign earnings were derived principally in Cyprus, which has a tax rate of 12.5 percent, and in the British Virgin Islands, which does not assess a corporate income tax on earnings. As a result, the Company's effective rate was impacted significantly by the effect of the Company's foreign earnings.

The Company's effective tax rate was also affected by the change in the valuation allowance.

Under ASC 740, an entity may only recognize or continue to recognize tax positions that meet a more likely than not threshold. In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based on management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recognized the largest amount of tax benefit with a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Company's financial statements. Management believes that the Company has not taken any material tax positions that would be deemed to be uncertain, therefore the Company has not established a liability for uncertain tax positions for the years ended September 30, 2016 and 2015. As of September 30, 2016, the tax years beginning from the year ended September 30, 2013 through the year ended September, 2016 were determined to be open for purposes of the Company's ASC 740 analysis.

### 13. Commitments and Contingencies

#### *Employment agreements*

The Company has employment agreements with certain officers, which extend from 24 to 60 months, and are renewable for successive one year terms. These agreements provide for base levels of compensation and separation benefits. Future minimum payments under these employment agreements as of September 30, 2016 are as follows:

September 2017	\$ 1,278,000
September 2018	1,278,000
September 2019	1,278,000
September 2020	1,278,000
September 2021	927,000
Total	<u>\$ 6,039,000</u>

#### *Operating Leases*

The Company leases its office premises located in Florida and is in the process of terminating its lease in Washington. The Company terminated its leases in Oregon, Colorado and Utah during FY 2016. The initial term of the Florida lease was for 39 months. During fiscal year 2016, the Company increased its leased space in Florida and extended the lease term to 63 months until September 2021. Future minimum payments under the Florida lease as of September 30, 2016 is as follows:

September 2017	\$ 162,885
September 2018	171,034
September 2019	174,483
September 2020	178,036
September 2021	181,695
Total	<u>\$ 868,133</u>

#### *Legal Matters*

From time to time, the Company is involved in legal matters arising in the ordinary course of business that, in the opinion of management, will not have a material effect on the Company's consolidated financial position.

## 14. Stockholders' Equity

### *Preferred stock*

The pertinent rights and privileges of each share of the Super Voting Preferred Stock ("Preferred Stock") are as follows:

- (i) each share shall not be entitled to receive any dividends;
- (ii) each share shall participate pari passu with the common stock of the Company in the proceeds available to the Company's stockholders upon the liquidation, dissolution, or winding up of the Company;
- (iii) each share shall be mandatorily converted into one share of common stock upon the earlier of (i) the consummation of a "Change in Control Transaction" (as defined in the Company's Articles of Incorporation) or any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such shares or (ii) August 17, 2017; and
- (iv) each share of Preferred Stock is entitled 40 votes of common stock held at the record date for the determination of stockholders entitled to vote at each meeting of stockholders of the Company or action by written consent in lieu of meetings with respect to any and all matters presented to the stockholders of the Company. Each holder of Preferred Stock shall vote together with the holders of common stock, as a single class, except (a) as provided by Nevada Statutes and (b) with regard to the amendment, alteration or repeal of the preferences, rights, powers or other terms with the written consent of the majority of holders of Preferred Stock.

### *Common stock*

In conjunction with the sale of 400,000 shares of common stock at \$5.00 per share for a total cash consideration of \$2 million to a former substantial stockholder in August 2015, a warrant was also issued for the purchase of up to 500,000 shares of common stock at \$5.00 per share, exercisable for a period of one year from the date of issuance of the warrants. The warrant expired during fiscal 2016 and the investor was awarded 400,000 shares of common stock at a value of \$2.94 per share as compensation that vested immediately.

In conjunction with the sale of 100,000 shares of common stock at \$5.00 per share for a total cash consideration of \$500,000 to a former lender to the Company, warrants were also issued for the purchase of up to 100,000 shares of common stock at \$2.50 per share, exercisable for a period of sixty days from the date of issuance of the warrant. The warrant was exercised in October 2015 prior to its expiration for a total of \$250,000.

On January 15, 2016, we sold 26,533 shares of common stock at \$8.00 per share for total cash consideration of \$212,000 to a private investor.

On February 19, 2016 and February 22, 2016, we sold a total of 40,002 shares of common stock at a price of \$3.75 per share for total cash consideration of \$150,000 to three of our independent directors.

During the fourth quarter of fiscal year 2016, the Company sold 754,954 shares of common stock at \$4.00 per share in an unregistered private placement for total cash consideration of \$3.0 million to various foreign investors.

As of September 30, 2016, private placement shares totaling 791,206 shares have not yet been issued due to certain administrative and documentation requirements. The shares are committed for issuance and are reflected as issued and outstanding on the books of the Company, but stock certificates were not issued as of September 30, 2016. These shares were included in the Company's basic and diluted weighted average shares computation for the year ended September 30, 2016. Certificates for these shares committed for issuance will be issued during fiscal year 2017.

In addition, 113,950 shares of common stock awarded to employees and Directors as compensation in lieu of salaries and Director fees were also committed for issuance, and are not yet recorded on the books of the Company at par, stock certificates were not issued due to certain administrative and documentation requirements. These shares were not included in the Company's basic and diluted weighted average shares computation for the year ended September 30, 2016. The Company recorded this obligation in Accounts Payable and Due to Related Party as of September 30, 2016. Certificates for these shares committed for issuance were issued on November 30, 2016.

Also refer to Note 18 "Subsequent Events" on page F-25.

### *Reverse Stock Split*

On August 15, 2015, our board and a stockholder holding a majority of the votes approved a reverse split of common stock at ratio of 1-for-20 to 1-for-100 with the board of directors having discretion to set the ratio. On November 1, 2015, our board approved a reverse stock split of our common stock at a ratio of 1-for-50 (the "Reverse Split"). The Company effectuated the Reverse Split on November 4, 2015, and the shares of common stock began trading on a post-reverse split basis on November 6, 2015. The par value of common stock and Super-Voting Preferred was not adjusted as a result of the Reverse Split. The Reverse Split reduced the Company's authorized shares from 700 million shares to 14 million shares. All issued and outstanding common stock, options for common stock, restricted stock awards, warrants, and convertible debt, and per share amounts have been retroactively adjusted to reflect this Reverse Split for all periods presented. The voting and conversion rights of the Super Voting Preferred have been retroactively adjusted to reflect this Reverse Split for all periods presented.

Also, refer to Note 18, "Subsequent Events" on page F-25.

## 15. Warrants:

On October 1, 2015, we had warrants for 600,000 shares of common stock outstanding.

The holder of a 100,000-share warrant at \$2.50 per share exercised his warrant at \$2.50 per share on October 12, 2015 for total consideration of \$250,000.

Upon conversion of \$5.0 million of convertible notes on November 7, 2015, the Company issued warrants to the two investors for the purchase of a total of 300,000 shares of common stock at \$10.00 per share, exercisable for a period of one year from the date of issuance of the warrants.

On August 13, 2016, warrants for 500,000 shares of common stock with an exercise price of \$5.00 per share expired unexercised.

Warrants for 260,000 shares at \$10.00 per share and warrants for 40,000 shares at \$10.00 per share expired on September 11, 2016 and September 15, 2016, respectively. In June, 2016, prior to their expiration, the Company awarded these two investors 150,000 shares of common stock and 80,000 shares of common stock that vested immediately. The Company had no warrants for shares of common stock outstanding on September 30, 2016.

## 16. Stock Based Compensation

The Company's 2010 Omnibus Equity Compensation Plan (the "Plan") was approved on September 30, 2010 by Mr. Hansen, who was the Company's majority stockholder at the time. On June 9, 2015, the Company's stockholders approved an increase of shares of common stock reserved for issuance under the Company's Omnibus Plan from 1 million to 3 million. The Omnibus Plan's participants include board members, executives, employees and certain consultants and advisers of the Company and the Omnibus Plan has been implemented in order to attract, incentivize and retain highly qualified individuals and keep the Company competitive with other companies with respect to executive compensation. Awards under the Omnibus Plan may be made to participants in the form of (i) incentive stock options; (ii) non-qualified stock options; (iii) stock appreciation rights; (iv) restricted stock; (v) deferred stock; (vi) stock awards; (vii) performance shares; (viii) other stock-based awards; and (ix) other forms of equity-based compensation as may be provided and are permissible under the Omnibus Plan and the law.

The fair value of stock options awards was estimated using the Black-Scholes options-pricing model, with the following assumptions:

	Years ended September 30,	
	2016	2015
Dividend yield	N/A	\$ -
Expected volatility	N/A	70%
Risk free interest rate	N/A	1.14%
Expected life	N/A	7.9 years

### Stock Options :

During the year ended September 30, 2016, we recognized approximately \$1.1 million of employee stock option compensation. The unamortized stock option compensation expense at September 30, 2016 was approximately \$450,000 and is expected to be recognized over a period of 1.6 years. The Company reduces its stock compensation expense for actual forfeitures of unvested stock options in the period in which the forfeiture occurs.

During the year ended September 30, 2016, management conducted an analysis of the expected volatility used in the Company's Black-Scholes option-pricing model under the guidance provided in ASC 718, *Stock Based Compensation*. Management considered a number of factors in estimating expected volatility including historical share price, trading volumes, market capitalization, historical and perspective financial data of the Company, changes to the business plan, and peer companies weighted for relative risk factors. They selected a volatility using a probability weighting based on these factors in the range of 65% to 75%. As a result of this analysis, the Company determined that using just historical share price volatility was no longer appropriate to value new options and warrants and now uses a 70% volatility rate for the Black-Scholes option pricing model.

The following summarizes the stock option activity for the years ended September 30, 2016 and 2015:

	2016		2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at beginning of year	1,141,304	\$ 7.15	87,324	\$ 10.00
Granted	-	-	1,085,980	6.52
Exercised	-	-	-	-
Forfeited	(700,336)	7.54	(32,000)	9.19
Outstanding at end of year	440,968	\$ 6.58	1,141,304	\$ 7.15
Exercisable	283,023	\$ 7.18	223,990	\$ 8.08

The following summarizes information about stock options outstanding and exercisable at September 30, 2016:

Exercise price range	Number outstanding	Options Outstanding		Options Exercisable	
		Weighted average remaining contract in years	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 5.50-10.00	415,409	5.4	\$ 6.03	257,464	\$ 6.35
10.50 -15.00	14,525	3.9	14.00	14,525	14.00
15.50- 20.00	11,034	0.3	17.50	11,034	17.50
	<u>440,968</u>	5.3	\$ 6.58	<u>283,023</u>	\$ 7.18

### Restricted Stock Units

The Company uses the Intrinsic Value method to determine the fair value of its restricted stock units on the grant date. As of September 30, 2016, there were 155,280 unvested restricted stock units outstanding with a weighted-average grant date value of \$7.02. The restricted stock units vest over the next 1.3 years. Unamortized stock compensation expense as of September 30, 2016 was \$1.0 million and is expected to be amortized over the next 1.3 years.

The following table summarizes information about shares of restricted stock awards activity under the Plan for the years ended September 30, 2016 and 2015:

Balance outstanding, September 30, 2014	-
Granted	1,383,360
Vested	(1,144,000)
Forfeited	-
Balance outstanding, September 30, 2015	239,360
Granted	666,533
Vested	(689,513)
Forfeited	(61,100)
Balance outstanding, September 30, 2016	<u>155,280</u>

During the fiscal year ended September 30, 2016, the Company granted restricted stock awards of 666,533 shares of common stock as compensation to various consultants and Directors under the Plan which vested immediately.

791,206 shares of common stock, recorded at par value, are committed for issuance (described in Note 14, "Stockholder's Equity" above) and were included in the Company's basic and diluted weighted average shares computation for the year ended September 30, 2016.

In addition, 113,950 shares of common stock, not yet recorded at par, are also committed for issuance (described in Note 14, "Stockholder's Equity," above) and were not included in the Company's basic and diluted weighted average shares computation for the year ended September 30, 2016. The Company recorded this obligation in Accounts Payable and Due to Related Party as of September 30, 2016. Certificates for these shares committed for issuance were issued on November 30, 2016.

### 17. Segment Information

The Company divides its product and service lines into two segments: (1) E-Commerce and Memberships segment which includes business license fees, membership subscription fees and commission income, and, advertising and marketing programs; and (2) Auctions segment (reported as discontinued operations).

	For the years ended September 30,	
	2016	2015
E-commerce and memberships		
Revenues	\$ 17,696,462	\$ 21,289,255
Cost of revenues	10,824,832	13,101,834
Gross income from continuing operations	<u>\$ 6,871,630</u>	<u>\$ 8,187,421</u>
Discontinued operations (auctions)		
Revenues	\$ 30,581	\$ 540,170
Cost of revenues	-	-
Income from discontinued operations, net of taxes	<u>\$ 30,581</u>	<u>\$ 540,170</u>



The total revenues recorded in our four geographic regions are summarized as follows:

	For the years ended September 30,	
	2016	2015
Revenues:		
European Union	\$ 2,363,445	\$ 3,350,541
North America	5,074,136	13,751,494
Australia	196,275	970,872
Global	10,062,606	3,216,348
	<u>\$ 17,696,462</u>	<u>\$ 21,289,255</u>
Represented by revenues from:		
Continuing operations	\$ 17,696,462	\$ 21,289,255
Discontinued operations	30,581	540,170
	<u>\$ 17,727,043</u>	<u>\$ 21,829,425</u>

## 18. Subsequent Events

During October 2016, the Company sold 255,000 shares of common stock at \$4.00 per share in an unregistered private placement to a group of foreign investors totaling \$1.02 million.

During October 2016, the Company's shareholders approved the increase of its authorized shares of common stock to 200 million shares from 14 million shares and to increase its authorized shares under the 2010 Omnibus Plan to 4.5 million from 3.0 million.

During November 2016, the Company sold 245,000 shares of common stock at \$4.00 per share in an unregistered private placement to a group of foreign investors totaling \$980,000.

On December 13, 2016, the Company acquired 40% of a Denmark-based company named Lani Pixels A/S ("Lani Pixels"). Lani Pixels will act as Ominto's strategic content partner in the future. The transaction was structured in two parts:

(1) The Company entered into a Share Exchange Agreement with Lani Pixels A/S, pursuant to which Lani Pixels purchased one million two hundred eighty-five thousand seven hundred fourteen (1,285,714) shares of the Company's common stock, par value \$0.001 per share ("Common Stock"), valued at \$4.00 per share and in exchange therefor, Lani Pixels issued and/or transferred to the Company, all right, title, and interest in and to shares of Lani Pixels' common stock that represents an aggregate of 20% of the issued and outstanding common stock of Lani Pixels on a fully diluted basis. In addition, the Company loaned Lani Pixels \$500,000 and Lani Pixels issued a promissory note in the amount of \$500,000 ("Note") to the Company. The Note matures on October 31, 2017 and accrues interest at a rate of 3% per annum. The Company also purchased a senior secured debenture (the "Debenture") from Lani Pixels in the amount of \$2.0 million. The Debenture has a coupon of 5% per annum, payable semi-annually and a running fee that entitles the Company to 3% of the gross revenues from July 1, 2017 to and including December 31, 2025, paid semi-annually on February 12, 2018 for the preceding semi-annual period from July 1 through December 31. The Debenture matures on February 12, 2026 and has a call option under which the principal amount may be redeemed in whole from February 12, 2018 or on any consecutive coupon date thereafter.

(2) The Company entered into a Share Exchange Agreement with Kim Pagel ("Pagel"), pursuant to which Pagel transferred to the Company, all right, title, and interest in and to shares of Lani Pixels' common stock that represents an aggregate of 20% of the issued and outstanding common stock of Lani Pixels on a fully diluted basis in exchange for one million one hundred forty-two thousand eight hundred fifty-seven (1,142,857) shares of the Company's common stock, par value \$0.001 per share ("Common Stock"), valued at \$4.00 per share, and an additional cash amount of \$500,000.

On December 13, 2016 ("Closing Date"), the Company entered into a Share Exchange Agreement ("Agreement") with Quant Systems, Inc. ("Quant"), pursuant to which Quant purchased eight hundred three thousand five hundred seventy-one (803,571) shares (the "Ominto Shares") of the Company's common stock, par value \$0.001 per share ("Common Stock"), valued at \$4.00 per share and in exchange therefor, Quant issued and/or transferred to the Company, all right, title, and interest in and to shares of Quant's common stock that represents an aggregate of 18.75% of the issued and outstanding common stock of Quant on a fully diluted basis. Subject to the terms of the Agreement, the Company has the right, but not the obligation, to purchase up to four hundred one thousand seven hundred eighty-five (401,785) of the Ominto Shares from Quant in one or more transactions, commencing on the Closing Date for a period up to 12 months.

On December 13, 2016, the Company issued two hundred twenty-five thousand (225,000) shares of the Company's common stock, par value \$0.001 per share, valued at \$4.00 per share to an unrelated third party in exchange for a \$900,000 promissory note (the "Note"). The Note bears interest at 5% per annum and matures on February 14, 2017. The Note is secured by a personal guarantee and by a mortgage on a parcel of land.

## EXHIBIT INDEX

Item No	Exhibit Description
2.1	Agreement for Share Exchange dated as of February 3, 2003, by and among Clamshell Enterprises, Inc. and Shutterport, Inc (incorporated by reference to Exhibit 2.2 included in our Current Report on Form 8-K filed on March 4, 2003).
2.2	Agreement and Plan of Merger dated August 10, 2009 among DubLi, Inc., DubLi Merger Sub, and CG Holdings Ltd. (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8-K filed on August 14, 2009).
2.3	Amended and Restated Plan of Merger (incorporated by reference to Exhibit 10.2 included in our Current Report on Form 8-K filed on September 30, 2009).
3.1	Articles of Incorporation dated June 4, 1999 (incorporated by reference to Exhibit 3.1(a) included in our Registration Statement on Form 10-SB filed on May 6, 2002).
3.2	Certificate of Amendment to Articles of Incorporation dated February 14, 2001 (incorporated by reference to Exhibit 3.1(b) included in our Registration Statement on Form 10-SB filed on May 6, 2001).
3.3	Article of Amendment to Articles of Incorporation dated May 22, 2003 (incorporated by reference to Exhibit 3.1 included in our Information Statement on Schedule 14C filed on April 22, 2003).
3.4	Certificate of Designation filed October 16, 2009 (incorporated by reference to Exhibit 3.3 included in our Current Report on Form 8-K filed on October 23, 2009).
3.5	Amendment to Certificate of Designation dated December 30, 2009 (incorporated by reference to Exhibit 4.1 included in our Current Report on Form 8-K filed on December 30, 2009).
3.6	Certificate of Amendment to Certificate of Designation dated May 24, 2010 (incorporated by reference to Exhibit 3.1 included in our Quarterly Report on Form 10-Q filed on May 24, 2010).
3.7	Certificate of Designation filed August 20, 2012 (incorporated by reference to Exhibit 3.1 included in our Current Report on Form 8-K filed on August 21, 2012).
3.8	Certificate of Amendment to Articles of Incorporation dated September 25, 2012 (incorporated by reference to Exhibit 3.1 included in our Current Report on Form 8-K filed on September 27, 2012).
3.9	Bylaws (incorporated by reference to Exhibit 3(ii) included in our Registration Statement on Form 10-SB filed on May 6, 2002).
3.10	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 included in our Current Report on Form 8-K filed on October 23, 2009).
3.11	Certificate of Amendment to Articles dated November 4, 2015 (incorporated by reference from Amendment No 2 to Registration Statement filed on November 9, 2015)
3.12	Bylaws (incorporated by reference to Exhibit 3(ii) included in our Registration Statement on Form 10-SB filed on May 6, 2009).
3.13	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 included in our Current Report on Form 8-K filed on October 23, 2009).
3.14	Certificate of Correction to June 15, 2015 Certificate of Amendment filed with the Secretary of State of Nevada on October 3, 2016.*
3.15	Certificate of Correction to November 4, 2015 Certificate of Change filed with the Secretary of State of Nevada on October 3, 2016.*
3.16	Amendment to Articles of Incorporation dated October 25, 2016 filed with the Secretary of State of Nevada on October 25, 2016.*
4.1	2010 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 4.2 included in our Registration Statement on Form S-8 filed on September 30, 2010).
4.2	2010 Omnibus Equity Compensation Plan as amended and restated April 2015 (incorporated by reference to our Form 14C filed on May 19, 2015). ±
4.3	Form of Warrant issued to investors in August 2015 placement. (incorporated by reference from Registration Statement filed on September 17, 2015)
4.4	Form of Warrant to be issued to investors in September 2015 convertible note placement. (incorporated by reference from Amendment No 2 to Registration Statement filed on November 9, 2015)
4.5	Form of Warrant and Warrant Certificate (incorporated by reference from Amendment No 2 to Registration Statement filed on November 9, 2015).

<b>Item No</b>	<b>Exhibit Description</b>
10.1	Employment Agreement dated as of October 1, 2009, among CG Holdings Limited, DUBLICOM Limited, DUBLI NETWORK Limited, Lenox Resources LLC, Lenox Logistik und Service GmbH, DubLi Properties LLC, and DubLi.com LLC, and Andreas Kusche (incorporated by reference to Exhibit 10.3 included in our Current Report on Form 8-K filed on October 23, 2009).†
10.2	Employment Agreement dated as of October 1, 2009, among CG Holdings Limited, DUBLICOM Limited, DUBLI NETWORK Limited, Lenox Resources LLC, Lenox Logistik und Service GmbH, DubLi Properties LLC, and DubLi.com LLC, and Betina Dupont Sørensen (incorporated by reference to Exhibit 10.4 included in our Current Report on Form 8-K filed on October 23, 2009).†
10.3	Office Lease dated as of December 01, 2009 by and between 485 Properties, LLC and the Company (incorporated by reference to Item 1.01 included in our Current Report on Form 8-K filed on December 21, 2009).
10.4	Voting Agreement dated as of March 3, 2009 between Michael Hansen and Michel Saouma . *
10.5	Employment Agreement, dated as of February 26, 2013, between DubLi, Inc. and Eric Nelson (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8-K filed on February 28, 2013).†
10.6	Employment Agreement, dated as of February 27, 2013, between DubLi, Inc. and Michael Hansen (incorporated by reference to Exhibit 1.01 included in our Current Report on Form 8-K filed on March 5, 2013).†
10.7	Loan Agreement dated April 23, 2013 between DubLi, Inc. and Michael Hansen (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8-K filed on April 23, 2013).
10.8	Purchase Agreement dated June 19, 2013 among DubLi, Inc. and Michael Hansen, Andreas Kusche, Eric Nelson, Thomas Sikora and Rick Daglio. (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8-K filed on June 21, 2013).
10.9	Amendment to the Purchase Agreement (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8-K filed on November 21, 2013).
10.10	Land Parcel Sale Agreement, dated as of December 27, 2013, between Crown Group Investments Limited and Elite Star Engineering Limited (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8-K filed on April 28, 2014).
10.11	Amendment to Land Parcel Sale Agreement, dated February 16, 2014 (incorporated by reference to Exhibit 10.2 included in our Current Report on Form 8-K filed on April 28, 2014).
10.12	Amendment to Land Parcel Sale Agreement, dated February 26, 2014 (incorporated by reference to Exhibit 10.3 included in our Current Report on Form 8-K filed on April 28, 2014).
10.13	Second Land Parcel Sale Agreement, dated as of December 27, 2013, between Crown Group Investments Limited and Mr. Varun Sudhir Marodia (incorporated by reference to Exhibit 10.4 included in our Current Report on Form 8-K filed on April 28, 2014).
10.14	Loan Agreement dated May 6, 2014 between DubLi, Inc. and Sleiman Chamoun. (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8-K filed on May 9, 2014).
10.15	Promissory Note dated August 11, 2014 between DubLi, Inc. and Michael Hansen. (incorporated by reference to Exhibit 10.2 included in our Current Report on Form 8-K filed on August 28, 2014).
10.16	Amended and Restated Promissory Note dated August 27, 2014 between DubLi, Inc. and Michael Hansen. (incorporated by reference to Exhibit 10.2 included in our Current Report on Form 8-K filed on August 28, 2014).
10.17	Employment Agreement dated as of May 5, 2015 between Company and Ivan Braiker (incorporated by reference to Exhibit 10.1 included in our Quarterly Report filed on August 14, 2015). ±
10.18	Employment Agreement dated as of May 5, 2015 between Company and Thomas Virgin (incorporated by reference to Exhibit 10.2 included in our Quarterly Report filed on August 14, 2015). ±
10.19	Severance Agreement dated as of May 29, 2015 between Company and Eric Nelson (incorporated by reference to Exhibit 10.3 included in our Quarterly Report filed on August 14, 2015). ±
10.20	Stock Purchase Agreement dated of April 30, 2015 between Company, Rune Evensen and David Hong Chuan Goh (incorporated by reference to Exhibit 10.4 included in our Quarterly Report filed on August 14, 2015).
10.21	Stock Purchase Agreement dated August 14, 2015 between Company and Joseph Saouma. (incorporated by reference from Registration Statement filed by the Company on September 17, 2015).
10.22	Advisor Agreement between the Company and members of its Advisory Board. (incorporated by reference from Amendment No 2 to Registration Statement filed on November 9, 2015)±
10.23	Office Building Lease dated as of August 4, 2015 between Company and 112 <sup>th</sup> Bellevue Associates, LLC. (incorporated by reference to Registration Statement filed by the Company on September 17, 2015).
10.24	Employment Agreement dated August 11, 2015 between Company and Thomas Vogl. (incorporated by reference to Registration Statement filed by the Company on September 17, 2015). ±

Item No	Exhibit Description
10.25	Purchase Agreement dated August 14, 2015 between the Company and Sleiman Chamoun. (incorporated by reference from Registration Statement filed by the Company on September 17, 2015).
10.26	Subscription and Conversion Agreement dated August 14, 2015 between the Company and Michael Hansen. (incorporated by reference from Registration Statement filed by the Company on September 17, 2015).
10.27	Subscription Agreement dated as of September 14, 2015 between the Company and Ominto Invest ApS. (incorporated by reference from Registration Statement filed by the Company on September 17, 2015).
10.28	Subscription Agreement dated as of September 14, 2015 between the Company and RS Group. (incorporated by reference from Registration Statement filed by the Company on September 17, 2015).
10.29	Convertible Note dated as of September 14, 2015 between the Company and Ominto Invest ApS. (incorporated by reference from Registration Statement filed by the Company on September 17, 2015).
10.30	Convertible Note dated as of September 14, 2015 between the Company and RS Group. (incorporated by reference from Registration Statement filed by the Company on September 17, 2015).
10.31	Employment Agreement dated as of September 14, 2015 between Company and Michael Hansen (incorporated by reference from Registration Statement filed by the Company on September 17, 2015). ±
10.32	Employment Agreement dated as of October 28, 2015 between Company and Jeffrey Schuett (incorporated by reference from Amendment No 2 to Registration Statement filed on November 9, 2015).±
10.33	Severance Agreement dated January 25, 2016 between Ivan Braiker and the Company ( incorporated by reference to our Current Report on Form 8K filed January 26, 2016). ±
10.34	Severance Agreement dated January 25, 2016 between Tom Virgin and the Company ( incorporated by reference to our Current Report on Form 8K filed January 26, 2016). ±
10.35	Severance Agreement dated January 25, 2016 between Jeffrey Schuett and the Company dated February 8, 2016.* ±
10.36	Severance Agreement dated January 25, 2016 between Thomas Vogl and the Company dated February 8, 2016.* ±
10.37	Office Lease dated June 3, 2016 between 1515 Associates Ltd and the Company (incorporated by reference to Exhibit 10.1 of our Quarterly Report on Form 10Q filed August 22, 2016).
10.38	Professional Services Agreement dated June 7, 2016 between Resources Connection LLC d/b/a Resources Global Professional and the Company re: Raoul Quijada, Interim CFO.* ±
10.39	Employment Agreement dated September 1, 2016 between the Company and Betina Dupont Sorensen (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8K filed on September 8, 2016). ±
10.40	First Amendment of the Ominto, Inc. 2010 Omnibus Equity Compensation Plan, approved by the Board of Directors on August 11, 2016 and by the majority stockholders on September 20, 2016 (incorporated by reference to Annex B to the Company's Information Statement on Schedule 14 C, filed with the SEC on September 20, 2016).
10.41	Subscription Agreement Form for \$5.5 million unregistered Private Placement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8K filed October 6, 2016.)
10.42	Employment Agreement dated November 17, 2016 between the Company and Michael Hansen (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8K filed on November 18, 2016). ±
10.43	Share Exchange Agreement dated December 13, 2016 between Quant Systems, Inc. and the Company *
10.44	Share Exchange Agreement dated December 13, 2016 between the Company and Lani Pixels A/S (incorporated by reference to Exhibit 10.1 included in our Current Report on Form 8K filed on December 13, 2016).
10.45	Share Exchange Agreement dated December 13, 2016 between the Company and Kim Pagel (incorporated by reference to Exhibit 10.2 included in our Current Report on Form 8K filed on December 13, 2016).
10.46	Promissory Note dated December 13, 2016 between Business Across APS, a Danish entity and the Company.*
14	Code of Business Conduct and Ethics dated January 2, 2004 (incorporated by reference to Exhibit 14.1 included in our Current Report on Form 8-K filed on November 6, 2012).
14.1	Code of Business Conduct and Ethics dated November 16, 2016 (incorporated by reference to our Current Report on Form 8 K filed November 17, 2016).
21.1	Subsidiaries (incorporated by reference from Registration Statement filed by the Company on September 17, 2015).
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.*
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.*
32.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 as amended, and 18 USC. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Principal Accounting Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 as amended, and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
99.1	Charter of the Nominating and Corporate Governance Committee of the Company's Board of Directors adopted November 17, 2016 (incorporated by reference to Exhibit 99.3 included in our Current Report on Form 8K filed November 18, 2016).
99.2	Charter of the Compensation Committee of the Company's Board of Directors adopted November 17, 2016 (incorporated by reference to Exhibit 99.2 included in our Current Report on Form 8K filed November 18, 2016).
99.3	Charter of the Audit Committee of the Company's Board of Directors adopted November 17, 2016 (incorporated by reference to Exhibit 99.1 included in our Current Report on Form 8K filed November 18, 2016).

\* Filed herewith.

† Indicates management contract or compensatory plan.

## 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.

OMINTO, INC

Dated: December 29, 2016

By: /s/ MICHAEL HANSEN  
Michael Hansen  
President and Chief Executive 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 and in the capacities indicated on December 29, 2016.

<u>Signatures</u>	<u>Title</u>
<u>/s/ DAVID POLLEI</u> David Pollei	Chairman of the Board and Director
<u>/s/ MICHAEL HANSEN</u> Michael Hansen	President, Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ RAOUL QUIJADA</u> Raoul Quijada	Interim Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ MITCH HILL</u> Mitch Hill	Director
<u>/s/ GREGORY NEWELL</u> Gregory Newell	Director
<u>/s/ PETER HARRIS</u> Peter Harris	Director
<u>/s/ GARY S. BAUGHMAN</u> Gary S. Baughman	Director



\*090403\*



BARBARA K. CEGAVSKE
Secretary of State
202 North Carson Street
Carson City, Nevada 89701-4201
(775) 684-5708
Website: www.nvsos.gov

Certificate of Correction
(PURSUANT TO NRS CHAPTERS 78,
78A, 80, 81, 82, 84, 86, 87, 87A, 88,
88A, 89 AND 92A)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Correction
(Pursuant to NRS Chapters 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 and 92A)

1. The name of the entity for which correction is being made:

Ominto, Inc.

2. Description of the original document for which correction is being made:

Certificate of Amendment

3. Filing date of the original document for which correction is being made:

6/15/2015

4. Description of the inaccuracy or defect:

The amendment inadvertently omitted a reference to the Board of Directors' authority to designate series of preferred stock.

5. Correction of the inaccuracy or defect:

Article 2 of the Certificate of Amendment should read as follows:
Section 3 (three) of the Articles of Incorporation should be amended to read as follows:
Number of Common Shares: 700,000,000 having a par value of \$0.001 per share
Number of Preferred Shares: 25,000,000 having a par value of \$0.01 per share
The Board of Directors shall have the authority to establish one or more series of Preferred Shares by duly adopted resolution which shall provide for a distinguishing designation for the series of Preferred Shares and the voting powers, (see attached)

6. Signature:

X [Handwritten Signature]
Authorized Signature

[Blank Box]
Title \*

[Blank Box]
Date

\* If entity is a corporation, it must be signed by an officer if stock has been issued, OR an incorporator or director if stock has not been issued; a limited-liability company, by a manager or managing members; a limited partnership or limited-liability limited partnership, by a general partner; a limited-liability partnership, by a managing partner; a business trust, by a trustee.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.





\*090403\*



BARBARA K. CEGAVSKE
Secretary of State
202 North Carson Street
Carson City, Nevada 89701-4201
(775) 684-5708
Website: www.nvsos.gov

Certificate of Correction
(PURSUANT TO NRS CHAPTERS 78,
78A, 80, 81, 82, 84, 86, 87, 87A, 88,
88A, 89 AND 92A)

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Correction
(Pursuant to NRS Chapters 78, 78A, 80, 81, 82, 84, 86, 87, 87A, 88, 88A, 89 and 92A)

1. The name of the entity for which correction is being made:

Ominto, Inc.

2. Description of the original document for which correction is being made:

Certificate of Change Pursuant to NRS 78.209

3. Filing date of the original document for which correction is being made:

11/4/2015

4. Description of the inaccuracy or defect:

Sections 3, 4 and 5 of the form contained inaccuracies.

5. Correction of the inaccuracy or defect:

Please see Certificate of Change Pursuant to NRS 78.209, restated as attached.

6. Signature:

X [Handwritten Signature]
Authorized Signature

[Blank Box]
Title \*

[Blank Box]
Date

\* If entity is a corporation, it must be signed by an officer if stock has been issued, OR an incorporator or director if stock has not been issued; a limited-liability company, by a manager or managing members; a limited partnership or limited-liability limited partnership, by a general partner; a limited-liability partnership, by a managing partner; a business trust, by a trustee.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.



\*090303\*



BARBARA K. CEGAVSKE
Secretary of State
202 North Carson Street
Carson City, Nevada 89701-4201
(775) 684-5708
Website: www.nvsos.gov

Certificate of Change Pursuant
to NRS 78.209

USE BLACK INK ONLY - DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

Certificate of Change filed Pursuant to NRS 78.209
For Nevada Profit Corporations

1. Name of corporation:

Ominto, Inc.

2. The board of directors have adopted a resolution pursuant to NRS 78.209 and have obtained any required approval of the stockholders.

3. The current number of authorized shares and the par value, if any, of each class or series, if any, of shares before the change:

700,000,000 common shares at \$0.001 par value per share and 25,000,000 preferred shares at \$0.01 par value per share

4. The number of authorized shares and the par value, if any, of each class or series, if any, of shares after the change:

14,000,000 common shares at \$0.001 par value per share and 25,000,000 preferred shares at \$0.01 par value per share

5. The number of shares of each affected class or series, if any, to be issued after the change in exchange for each issued share of the same class or series:

1-for-50 reverse stock split on outstanding common shares and the conversion ratio of the 300,000 preferred shares designated as Super Voting Preferred Stock

6. The provisions, if any, for the issuance of fractional shares, or for the payment of money or the issuance of scrip to stockholders otherwise entitled to a fraction of a share and the percentage of outstanding shares affected thereby:

None

7. Effective date and time of filing: (optional)

Date

[Empty box for date]

Time

[Empty box for time]

(must not be later than 90 days after the certificate is filed)

8. Signature: (required)

X [Handwritten signature]

Signature of Officer

[Empty box for title]

Title

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

**SEPARATION AGREEMENT AND GENERAL RELEASE**

THIS SEPARATION AGREEMENT AND GENERAL RELEASE (hereinafter "AGREEMENT") is made and entered into by and between Jeffrey Schuett (hereinafter "EMPLOYEE") and Ominto, Inc., a Nevada corporation (hereinafter "EMPLOYER"), and inures to the benefit of each of EMPLOYER's current, former and future parents, subsidiaries, related entities, employee benefit plans and their fiduciaries, predecessors, successors, officers, directors, shareholders, agents, employees and assigns. EMPLOYEE and EMPLOYER are collectively referred to as the "PARTIES" and individual as "PARTY."

**RECITALS**

A. EMPLOYEE has been an employee of EMPLOYER and most recently served as Executive VP of Operations and Solutions Development ("EVP") pursuant to an Employment Agreement dated as of October 28, 2015 (the "Employment Agreement") which Employment Agreement provides for certain severance benefits to EMPLOYEE;

B. EMPLOYER notified EMPLOYEE on January 25, 2016 (the "Notice Date") that he was being terminated without cause (as defined in the Employment Agreement) and that to avoid undue disruption to EMPLOYER, his last day of employment would be January 25, 2016 (the "Termination Date");

C. The PARTIES desire to confirm the severance package applicable to the termination of EMPLOYEE's employment relationship with EMPLOYER without cause, and accordingly the terms of this AGREEMENT supersede and replace any prior contractual severance obligations including any contained in the Employment Agreement; and

D. EMPLOYEE and EMPLOYER wish permanently to resolve any and all disputes arising out of EMPLOYEE's Employment Agreement and any other issues arising from EMPLOYEE'S employment with EMPLOYER or the cessation of that employment.

**NOW, THEREFORE**, for and in consideration of the execution of this AGREEMENT and the mutual covenants contained in the following paragraphs, EMPLOYER and EMPLOYEE agree as follows:

**1. Incorporation of Recitals.** The Recitals and identification of the PARTIES to, and beneficiaries of, this AGREEMENT are incorporated by reference as though fully set forth herein.

**2. No Admission of Liability.** The PARTIES agree that this AGREEMENT, and performance of the acts required by it, does not constitute an admission of liability, culpability, negligence or wrongdoing on the part of anyone, and will not be construed for any purpose as an admission of liability, culpability, negligence or wrongdoing by any PARTY and/or by any PARTY's current, former or future parents, subsidiaries, related entities, predecessors, successors, officers, directors, shareholders, agents, employees and assigns.

**3. Severance Benefits**

(a) **Severance Pay**. If EMPLOYEE executes this AGREEMENT and does not revoke it (as described below), and he otherwise complies with this Agreement, EMPLOYER will pay EMPLOYEE at his regular rate of pay (\$250,000 per annum), less applicable withholding and taxes, for a period of four (4) months beginning on the Termination Date ("Severance Pay"), which sums will be payable to EMPLOYEE in accordance with EMPLOYER'S normal payroll procedures beginning with the first regularly scheduled pay period following expiration of the revocation period set forth in Section 8 below. EMPLOYEE's continued receipt of the Severance Pay shall be contingent upon his compliance with all of the terms of this AGREEMENT. To the extent EMPLOYER learns that EMPLOYEE is violating his obligations hereunder, EMPLOYER may withhold the Severance Pay or otherwise require reimbursement of the Severance Pay until it secures EMPLOYEE's full and complete compliance with these obligations.

(b) **COBRA Benefit**. EMPLOYEE acknowledges that it is EMPLOYEE's responsibility to make a timely election to continue his own personal participation in EMPLOYER's group health insurance plan pursuant to the terms of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). EMPLOYEE understands and agrees that he shall be fully responsible for making the necessary premium payments in order to continue such coverage. EMPLOYER shall reimburse EMPLOYEE for EMPLOYEE's individual COBRA premium payments for EMPLOYEE only until April 1, 2016, contingent upon EMPLOYEE's submittal of proof of payment to EMPLOYER within three (3) days of receipt and EMPLOYEE's compliance with the terms of this AGREEMENT. This reimbursement shall be included in the next regularly scheduled severance payment through payroll following EMPLOYER's receipt of payment by the EMPLOYEE. Nothing herein shall limit the right of EMPLOYER to change *the* provider and/or the terms of its health insurance plans at any time hereafter. Notwithstanding anything to the contrary in this Agreement, if EMPLOYER determines in its sole discretion that it cannot provide the COBRA Benefit without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or incurring an excise or penalty tax, the PARTIES agree to reform this section.

(c) **Neutral Reference**. EMPLOYER agrees that if it is contacted by prospective employers of EMPLOYEE, EMPLOYER will release information concerning the dates of EMPLOYEE's employment and the last position held, and will advise prospective employers of EMPLOYEE that EMPLOYER's company policy is to release only such information.

(d) As consideration for the execution of this AGREEMENT, and with the exception of the restrictive covenants contained in the Employment Agreement which shall remain in full force and effect as set forth in, the PARTIES mutually acknowledge and agree that any and all other prior agreements, offer letters or contracts between the PARTIES, are declared null and void with no legal effect as of the date of this AGREEMENT.

**4. Wages and Vacation Time Paid**. EMPLOYEE does not have any accrued or unused vacation time and has been paid for all salary, wages and compensation earned through Termination Date and he is not entitled to receive and shall not claim from EMPLOYER, any compensation, payments or benefits except for those payments and benefits that are expressly set forth in this Agreement.

5. **General Release.** EMPLOYEE hereby fully and forever releases, waives, discharges and promises not to sue or otherwise institute or cause to be instituted any legal or administrative proceedings against EMPLOYER, any of its shareholders, insurers, predecessors, successors, parents, subsidiaries, affiliated or related companies, or any of their respective officers, directors, benefit plan fiduciaries, attorneys, agents, employees and former employees and assignees thereof (collectively, the "COMPANY"), with respect to any and all liabilities, claims, demands, contracts, debts, obligations and causes of action of any nature, kind, and description, whether in law, equity or otherwise, whether or not now known or ascertained, which currently do or may exist, including without limitation any matter, cause or claim arising out of or related to facts or events occurring prior to the execution of this AGREEMENT, and/or arising from and relating to EMPLOYEE's employment with EMPLOYER, EMPLOYEE'S recruitment therefor, or the termination therefrom, including, but not limited to, any claims for unpaid wages, severance, benefits, penalties, breach of contract, breach of the covenant of good faith and fair dealing, infliction of emotional distress, misrepresentation, damages, compensation, overtime compensation, monetary relief, employment, benefits, including but not limited to any claims for benefits under any employment contract, employee benefit plan or any retirement plan, profit sharing, capital stock, bonuses, merit and longevity increases, and all other benefits of all kind, earnings, backpay, front pay, liquidated and other damages, compensatory damages, punitive damages, damage to character, damage to reputation, emotional distress, mental anguish, depression, injury, impairment in locating employment, financial loss, home foreclosure, pain and suffering, being made whole, injunctive and declaratory relief, interest, attorneys fees, and costs arising from any claims under, *inter alia*, Title VII of the Civil Rights Act of 1964, as amended, Sections 1981 and 1983 of the Civil Rights Act of 1866, the Age Discrimination in Employment Act, the Americans With Disabilities Act, the Federal Rehabilitation Act, the Family and Medical Leave Act, the Equal Pay Act of 1963, the Employment Retirement Income and Security Act, the Consolidated Omnibus Reconciliation Act, the Occupational Safety and Health Act, the Fair Credit Reporting Act, the Washington Law Against Discrimination, the Washington Family Leave Act, the Washington Minimum Wage Act and all amendments to such laws, and any other federal, state or local laws and regulations relating to employment, conditions of employment (including wage and hour laws), compensation (including stock options), and/or employment discrimination, and torts of all kind, including but not limited to misrepresentation, negligent or otherwise, fraud, spoliation, defamation, libel, battery, assault, slander, intentional infliction of emotional distress, workers' compensation, workers' compensation retaliation, interference with an advantageous business relationship, negligent hiring, negligent retention, discrimination, claims or rights under state and federal whistle-blower legislation.

EMPLOYEE understands that, by releasing all of his legally waivable claims, known or unknown, against the Company, he is releasing all of his rights to bring any claims against any of them based on any actions, decisions or events occurring through the date of EMPLOYEE signs this AGREEMENT including the terms and conditions of his employment and the termination of his employment.

**NOTHING IN THIS RELEASE SHALL BE CONSTRUED TO PROHIBIT EMPLOYEE FROM CONTACTING, FILING A CHARGE OR PARTICIPATING IN ANY PROCEEDING OR INVESTIGATION BY THE U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION ("EEOC"), DEPARTMENT OF LABOR ("DOL"), NATIONAL LABOR RELATIONS BOARD ("NLRB"), OR COMPARABLE STATE OR LOCAL ENTITY. NOTWITHSTANDING THE FOREGOING, EMPLOYEE AGREES TO WAIVE ANY RIGHT TO RECOVER MONETARY DAMAGES IN ANY CHARGE, COMPLAINT, OR LAWSUIT FILED BY HIM OR ON HIS BEHALF.**

6. **Acknowledgement of Consideration**. The PARTIES hereto each acknowledge and agree that the Severance Benefits (Section 3 above) and Release (Section 5 above), and mutual covenants and promises that are set forth in this Agreement are being exchanged for each of the PARTIES executing this Agreement, and that, but for the agreements made hereunder, they have no entitlement to the consideration exchanged pursuant to this Agreement.

7. **Notice Concerning Release of Claims Under the Age Discrimination in Employment Act**. As part of this Agreement, EMPLOYEE expressly agrees to the release of any rights or claims arising out of the Age Discrimination in Employment Act ("ADEA," 29 U.S.C. § 621, et seq.). In accordance with the Older Workers' Benefit Protection Act of 1990, EMPLOYEE is hereby advised of the following with respect to his release of any claims under the ADEA: (1) EMPLOYEE is hereby advised that he has the right to consult with an attorney before signing this AGREEMENT, and that to the extent, if any, that EMPLOYEE has desired, he has done so; (2) he has 21 days from the date of receipt of this Agreement in which to review and consider this AGREEMENT and his release of any ADEA claim, and that he may use as much of this 21 day period as he wishes prior to signing; and (3) EMPLOYEE may revoke this AGREEMENT at any time during the 7 days following his execution of this AGREEMENT, and the AGREEMENT shall not become effective or enforceable with respect to the claims under the ADEA until the revocation period has expired. EMPLOYEE understands that any revocation of this Agreement must be made in writing and delivered to EMPLOYER to the address set forth in Section 15 below within the seven (7) day period. This AGREEMENT will become effective as to any ADEA claim 8 days after it is signed by EMPLOYEE and EMPLOYER, and in the event the PARTIES do not sign on the same date, then this AGREEMENT shall become effective as to any ADEA claim 8 days after the date it is signed by EMPLOYEE ("Effective Date"). This AGREEMENT does not constitute a waiver of any claim under the ADEA that may arise after the date this AGREEMENT is executed by EMPLOYEE.

8. **Severability of Release Provisions**. EMPLOYEE agrees that if any provision of the release given by him under this AGREEMENT is found to be unenforceable, it will not affect the enforceability of the remaining provisions and the courts may enforce all remaining provisions to the extent permitted by law.

9. **Non-Disparagement**. EMPLOYEE promises and agrees that he will not, except as required by law, engage in any conduct or make any statement which is in any way critical of, disparaging to, or otherwise derogatory about EMPLOYER (and as applicable, EMPLOYER's management, Board of Directors and/or employees) whether to press, investment community, stockholders, business associates, social media or otherwise. Nothing in this Paragraph or in any other provision of this Agreement shall, or is intended to, limit any other rights or remedies the PARTIES may have by virtue of this Agreement or otherwise, including, without limitation filing an action against a PARTY for breach of this Agreement.

10. **Confidentiality of AGREEMENT**. EMPLOYEE promises and agrees that, unless compelled by legal process, he will not disclose to others and will keep confidential both the fact of and the terms of this AGREEMENT, including the amounts referred to in this AGREEMENT, except that he may disclose this information to his spouse and to his attorneys, accountants and other professional advisors to whom the disclosure is necessary to accomplish the purposes for which EMPLOYEE has consulted such professional advisors. EMPLOYEE expressly promises and agrees that, unless compelled by legal process, he will not disclose to any present or former employees of EMPLOYER the fact or the terms of this AGREEMENT. If EMPLOYEE is required to disclose this Agreement, its terms or underlying facts pursuant to court order and/or subpoena, EMPLOYEE shall provide written notice to EMPLOYER in accordance with the requirements set forth in Section 15 below. EMPLOYEE acknowledges that EMPLOYER has securities registered with the SEC and has certain reporting requirements that may require EMPLOYER to summarize the terms of this AGREEMENT or file a copy of this AGREEMENT with the SEC. The terms of this provision will no longer apply to EMPLOYEE at such time as EMPLOYER files a copy of this AGREEMENT with the SEC.

11. **Restrictive Covenants**. The PARTIES expressly incorporate and adopt herein the terms and obligations or the restrictive covenant and the remedies for breach thereof contained in Sections 5-8 of the Employment Agreement, which are incorporated herein by reference and which remedies the PARTIES agree shall be applicable to breach of restrictive covenants in paragraphs 9, 12, 13 and 14 of the AGREEMENT.

12. **Confidentiality of EMPLOYER's Confidential Information**. EMPLOYEE acknowledges that due to the position he has occupied and the responsibilities he has had at EMPLOYER, he has received confidential information concerning EMPLOYER'S products, procedures, customers, sales, prices, contracts, and the like. EMPLOYEE hereby promises and agrees that, unless compelled by legal process, he will not disclose to others and will keep confidential all information he has received while employed by EMPLOYER concerning EMPLOYER'S products and procedures, the identities of EMPLOYER'S customers, EMPLOYER'S sales, EMPLOYER'S prices, the terms of any of EMPLOYER'S contracts with third PARTIES, and the like. EMPLOYEE agrees that a violation by him of the foregoing obligation to maintain the confidentiality of EMPLOYER'S confidential information will constitute a material breach of this AGREEMENT. This information includes all aspects of the EMPLOYER'S business and extends to communication with existing and former employees, customers and business contacts and prohibits EMPLOYEE from discussing the contents of this AGREEMENT or any business of the EMPLOYER. In the event that EMPLOYEE is served with a subpoena in connection with any legal matter which would require disclosure of EMPLOYER'S Confidential Information, EMPLOYEE will provide written notice to EMPLOYER as soon as practicable after receipt of subpoena notice to EMPLOYER in accordance with the requirements set forth in Section 15 below.

13. **Return of Company Property**. EMPLOYEE agrees that, as a condition to receiving the severance benefits set forth in this AGREEMENT, he will return all Company property in his possession, custody or control.

14. **Non-Solicitation**. EMPLOYEE agrees that for a period of one (1) year from the Separation Date, he will not directly or indirectly induce or solicit any person who is an employee, officer, contractor or agent of EMPLOYER to terminate his or her employment with or engagement by EMPLOYER.

15. **Notices**. Notice shall be addressed to the PARTIES at the address and facsimile listed below and sent by **both** (a) email **and** (b) *by a* nationally recognized overnight courier for next day morning delivery, in which case notice shall be deemed delivered one (1) business day after the facsimile has been sent and one (1) business day after deposit with such overnight courier. The addresses below may be changed by written notice to the other each of the **PARTIES**; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice.

If to **EMPLOYER**

Ominto, Inc.  
1110-112<sup>th</sup> Avenue NE, Suite 350  
Bellevue, WA 98004  
Email: [swong@ominto.com](mailto:swong@ominto.com)  
Attention: Suzanne Wong, Esq.

If in **EMPLOYEE**:

Jeffrey Schuett  
3707 259<sup>th</sup> Way NE  
Redmond, WA 90853  
Email: [iSchuett40@yaboo.com](mailto:iSchuett40@yaboo.com)

16. **Integrated Agreement**. The PARTIES acknowledge and agree that no promises or representations were made to them which do not appear written herein and that this AGREEMENT contains the entire agreement of the PARTIES on the subject matter thereof. The PARTIES further acknowledge and agree that parol evidence shall not be required to interpret the intent of the PARTIES.

17. **Waiver, Amendment and Modification of AGREEMENT**. The PARTIES agree that no waiver, amendment or modification of any of the terms of this AGREEMENT shall be effective unless in writing and signed by all PARTIES affected by the waiver, amendment or modification. No waiver of any term, condition or default of any term of this AGREEMENT shall be construed as a waiver of any other term, condition or default.

18. **Representation by Counsel**. The PARTIES acknowledge that they have had the opportunity to be represented in negotiations for the preparation of this AGREEMENT by counsel of their own choosing, and that they have entered into this AGREEMENT voluntarily, without coercion, and upon their own judgment and not in reliance upon any representations or promises made by the other PARTY or PARTIES or any attorneys, other than those contained within this AGREEMENT. The PARTIES further agree that if any of the facts or matters upon which they now rely in making this AGREEMENT hereafter prove to be otherwise, this AGREEMENT will nonetheless remain in full force and effect.

19. **Washington Law.** The PARTIES agree that this AGREEMENT and its terms shall be construed under Washington law. The PARTIES acknowledge that this AGREEMENT is enforceable in the federal and/state courts of Washington. EMPLOYEE and EMPLOYER hereby waive any pleas of jurisdiction or venue as not being residents of King County, Washington, and hereby specifically authorize any action brought upon the enforcement of this AGREEMENT to be commenced or filed in King County, Washington.

20. **Agreement to Arbitrate Claims Arising from AGREEMENT.** The PARTIES agree that if any dispute arises concerning interpretation anti/or enforcement of the terms of this AGREEMENT, said dispute shall be resolved by binding arbitration conducted in King County, Washington in accordance with the American Arbitration Association's National Rules for the Resolution of Employment Disputes then in effect ("AAA's National Rules"). In the event that such a dispute arises, counsel for both PARTIES will attempt to jointly select an arbitrator. If unable to do so, the procedures outlined in the AAA's National Rules shall govern. Each PARTY shall be afforded the widest rights of discovery as permitted by law (including the right to cross-examine the opposing PARTY'S witnesses, either through legal counsel, expert witnesses of both).

21. **Drafting.** The PARTIES agree that this AGREEMENT shall be construed without regard to the drafter of the same and shall be construed as though each PARTY to this AGREEMENT participated equally in the preparation and drafting of this AGREEMENT.

22. **Notice of Breach/Opportunity to Cure.** Each PARTY agrees that before filing any action or initiating arbitration for breach of this AGREEMENT such PARTY must provide the breaching PARTY with written notice of the breach in accordance with Section 15 above and a minimum of 30 days to cure the breach if such breach is curable. The cure of a breach does not eliminate or reduce a breach PARTY' s liable for damages.

23. **Attorneys' Fees.** In the event any court action or arbitration is commenced by one PARTY against the other, the prevailing PARTY is entitled to recover its out-of-pocket and costs and reasonable attorneys' fees.

24. **Counterparts.** This AGREEMENT may be signed in counterparts and said counterparts shall be treated as though signed as one document.

25. **Voluntary Execution of Agreement.** Employee understands and agrees that he executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third PARTY, with the full intent of releasing all of his claims against the Company. Employee acknowledges that:

(a) he has read this Agreement;

(b) he has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of his own choice or has elected not to retain legal counsel;

- (c) he understands the terms and consequences of this Agreement and of the releases it contains; and
- (d) he is fully aware of the legal and binding effect of this Agreement.

Dated: February 8, 2016

EMPLOYEE:

/s/ Jeffrey Schuett  
**Jeffrey Schuett**

Dated: February 8, 2016

EMPLOYER:

/s/ Mitch Hill  
**By: Mitch Hill**  
**Its: Interim CEO**

**SEPARATION AGREEMENT AND GENERAL RELEASE**

THIS SEPARATION AGREEMENT AND GENERAL RELEASE (hereinafter "AGREEMENT") is made and entered into by and between Thomas Vogl (hereinafter "EMPLOYEE") and Ominto, Inc., a Nevada corporation (hereinafter "EMPLOYER"), and inures to the benefit of each of EMPLOYER' s current, former and future parents, subsidiaries, related entities, employee benefit plans and their fiduciaries, predecessors, successors, officers, directors, shareholders, agents, employees and assigns. EMPLOYEE and EMPLOYER are collectively referred to as the "PARTIES" and individual as "PARTY."

**RECITALS**

A. EMPLOYEE has been an employee of EMPLOYER and most recently served as Chief Marketing Officer ("CMO") pursuant to an Employment Agreement dated as of August 11, 2015 (the "Employment Agreement") which Employment Agreement provides for certain severance benefits to EMPLOYEE;

B. EMPLOYER notified EMPLOYEE on February 1, 2016 (the "Notice Date") that he was being terminated without cause (as defined in the Employment Agreement) and that to avoid undue disruption to EMPLOYER, his last day of employment would be February 1, 2016 (the "Termination Date");

C. The PARTIES desire to confirm the severance package applicable to the termination of EMPLOYEE's employment relationship with EMPLOYER without cause, and accordingly the terms of this AGREEMENT supersede and replace any prior contractual severance obligations including any contained in the Employment Agreement; and

D. EMPLOYEE and EMPLOYER wish permanently to resolve any and all disputes arising out of EMPLOYEE's Employment Agreement and any other issues arising from EMPLOYEE'S employment with EMPLOYER or the cessation of that employment.

**NOW, THEREFORE**, for and in consideration of the execution of this AGREEMENT and the mutual covenants contained in the following paragraphs, EMPLOYER and EMPLOYEE agree as follows:

1. **Incorporation of Recitals**. The Recitals and identification of the PARTIES to, and beneficiaries of, this AGREEMENT are incorporated by reference as though fully set forth herein.

2. **No Admission of Liability**. The PARTIES agree that this AGREEMENT, and performance of the acts required by it, does not constitute an admission of liability, culpability, negligence or wrongdoing on the part of anyone, and will not be construed for any purpose as an admission of liability, culpability, negligence or wrongdoing by any PARTY and/or by any PARTY's current, former or future parents, subsidiaries, related entities, predecessors, successors, officers, directors, shareholders, agents, employees and assigns.

**3. Severance Benefits**

( a ) **Severance Pay**. If EMPLOYEE executes this AGREEMENT and does not revoke it (as described below), and he otherwise complies with this Agreement, EMPLOYER will pay EMPLOYEE at his regular rate of pay (\$215,000 per annum), less applicable withholding and taxes, for a period of four (4) months beginning on the Termination Date ( "Severance Pay" ), which sums will be payable to EMPLOYEE in accordance with EMPLOYER'S normal payroll procedures beginning with the first regularly scheduled pay period following expiration of the revocation period set forth in Section 8 below. EMPLOYEE's continued receipt of the Severance Pay shall be contingent upon his compliance with all of the terms of this AGREEMENT. To the extent EMPLOYER learns that EMPLOYEE is violating his obligations hereunder, EMPLOYER may withhold the Severance Pay or otherwise require reimbursement of the Severance Pay until it secures EMPLOYEE's full and complete compliance with these obligations.

( b ) **COBRA Benefit**. EMPLOYEE acknowledges that it is EMPLOYEE's responsibility to make a timely election to continue his own personal participation in EMPLOYER's group health insurance plan pursuant to the terms of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"). EMPLOYEE understands and agrees that he shall be fully responsible for making the necessary premium payments in order to continue such coverage. EMPLOYER shall reimburse EMPLOYEE for EMPLOYEE's individual COBRA premium payments for EMPLOYEE only until May 1, 2016, contingent upon EMPLOYEE's submittal of proof of payment to EMPLOYER within three (3) days of receipt and EMPLOYEE's compliance with the terms of this AGREEMENT. This reimbursement shall be included in the next regularly schedule severance payment through payroll following EMPLOYER's receipt of payment by the EMPLOYEE. Nothing herein shall limit the right of EMPLOYER to change the provider and/or the terms of its health insurance plans at any time hereafter. Notwithstanding anything to the contrary in this Agreement, if EMPLOYER determines in its sole discretion that it cannot provide the COBRA Benefit without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act) or incurring an excise or penalty tax, the PARTIES agree to reform this section.

( c ) **Neutral Reference**. EMPLOYER agrees that if it is contacted by prospective employers of EMPLOYEE, EMPLOYER will release information concerning the dates of EMPLOYEE's employment and the last position held, and will advise prospective employers of EMPLOYEE that EMPLOYER's company policy is to release only such information.

( d ) As consideration for the execution of this AGREEMENT, and with the exception of the restrictive covenants contained in the Employment Agreement which shall remain in full force and effect as set forth in, the PARTIES mutually acknowledge and agree that any and all other prior agreements, offer letters or contracts between the PARTIES, are declared null and void with no legal effect as of the date of this AGREEMENT.

**4. Wages and Vacation Time Paid**. EMPLOYEE shall be paid his final wages earned through the Termination Date, including all accrued and unused vacation time, less statutory deductions and withholdings on EMPLOYER's next regularly scheduled pay day. Upon receipt of the payments referenced herein, EMPLOYEE acknowledges that he has been paid for all salary, wages, and compensation earned through the Termination Date and that he is not entitled to receive and shall not claim from EMPLOYER, any compensation, payments or benefits except for those payments and benefits that are expressly set forth in this Agreement.

5. **General Release.** EMPLOYEE hereby fully and forever releases, waives, discharges and promises not to sue or otherwise institute or cause to be instituted any legal or administrative proceedings against EMPLOYER, any of its shareholders, insurers, predecessors, successors, parents, subsidiaries, affiliated or related companies, or any of their respective officers, directors, benefit plan fiduciaries, attorneys, agents, employees and former employees and assignees thereof (collectively, the "COMPANY"), with respect to any and all liabilities, claims, demands, contracts, debts, obligations and causes of action of any nature, kind, and description, whether in law, equity or otherwise, whether or not now known or ascertained, which currently do or may exist, including without limitation any matter, cause or claim arising out of or related to facts or events occurring prior to the execution of this AGREEMENT, and/or arising from and relating to EMPLOYEE's employment with EMPLOYER, EMPLOYEE's recruitment therefor, or the termination therefrom, including, but not limited to, any claims for unpaid wages, severance, benefits, penalties, breach of contract, breach of the covenant of good faith and fair dealing, infliction of emotional distress, misrepresentation, damages, compensation, overtime compensation, monetary relief, employment, benefits, including but not limited to any claims for benefits under any employment contract, employee benefit plan or any retirement plan, profit sharing, capital stock, bonuses, merit and longevity increases, and all other benefits of all kind, earnings, backpay, front pay, liquidated and other damages, compensatory damages, punitive damages, damage to character, damage to reputation, emotional distress, mental anguish, depression, injury, impairment in locating employment, financial loss, home foreclosure, pain and suffering, being made whole, injunctive and declaratory relief, interest, attorneys fees, and costs arising from any claims under, *inter alia*, Title VII of the Civil Rights Act of 1964, as amended, Sections 1981 and 1983 of the Civil Rights Act of 1866, the Age Discrimination in Employment Act, the Americans With Disabilities Act, the Federal Rehabilitation Act, the Family and Medical Leave Act, the Equal Pay Act of 1963, the Employment Retirement Income and Security Act, the Consolidated Omnibus Reconciliation Act, the Occupational Safety and Health Act, the Fair Credit Reporting Act, the Washington Law Against Discrimination, the Washington Family Leave Act, the Washington Minimum Wage Act and all amendments to such laws, and any other federal, state or local laws and regulations relating to employment, conditions of employment (including wage and hour laws), compensation (including stock options), and/or employment discrimination, and torts of all kind, including but not limited to misrepresentation, negligent or otherwise, fraud, spoliation, defamation, libel, battery, assault, slander, intentional infliction of emotional distress, workers' compensation, workers' compensation retaliation, interference with an advantageous business relationship, negligent hiring, negligent retention, discrimination, claims or rights under state and federal whistle-blower legislation.

EMPLOYEE understands that, by releasing all of his legally waivable claims, known or unknown, against the Company, he is releasing all of his rights to bring any claims against any of them based on any actions, decisions or events occurring through the date of EMPLOYEE signs this AGREEMENT including the terms and conditions of his employment and the termination of his employment.

**NOTHING IN THIS RELEASE SHALL BE CONSTRUED TO PROHIBIT EMPLOYEE FROM CONTACTING, FILING A CHARGE OR PARTICIPATING IN ANY PROCEEDING OR INVESTIGATION BY THE U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION (“EEOC”), DEPARTMENT OF LABOR (“DOL”), NATIONAL LABOR RELATIONS BOARD (“NLRB”), OR COMPARABLE STATE OR LOCAL ENTITY. NOTWITHSTANDING THE FOREGOING, EMPLOYEE AGREES TO WAIVE ANY RIGHT TO RECOVER MONETARY DAMAGES IN ANY CHARGE, COMPLAINT, OR LAWSUIT FILED BY HIM OR ON HIS BEHALF.**

6. **Acknowledgement of Consideration**. The PARTIES hereto each acknowledge and agree that the Severance Benefits (Section 3 above) and Release (Section 5 above), and mutual covenants and promises that are set forth in this Agreement are being exchanged for each of the PAR HES executing this Agreement, and that, but for the agreements made hereunder, they have no entitlement to the consideration exchanged pursuant to this Agreement

7. **Notice Concerning Release of Claims Under the Age Discrimination in Employment Act**. As part of this Agreement, EMPLOYEE expressly agrees to the release of any rights or claims arising out of the Age Discrimination in Employment Act (“ADEA,” 29 U.S.C. § 621, et seq.). In accordance with the Older Workers’ Benefit Protection Act of 1990, EMPLOYEE is hereby advised of the following with respect to his release of any claims under the ADEA: (1) EMPLOYEE is hereby advised that he has the right to consult with an attorney before signing this AGREEMENT, and that to the extent, if any, that EMPLOYEE has desired, he has done so; (2) he has 21 days from the date of receipt of this Agreement in which to review and consider this AGREEMENT and his release of any ADEA claim, and that he may use as much of this 21 day period as he wishes prior to signing; and (3) EMPLOYEE may revoke this AGREEMENT at any time during the 7 days following his execution of this AGREEMENT, and the AGREEMENT shall not become effective or enforceable with respect to the claims under the ADEA until the revocation period has expired. EMPLOYEE understands that any revocation of this Agreement must be made in writing and delivered to EMPLOYER to the address set forth in Section 15 below within the seven (7) day period. This AGREEMENT will become effective as to any ADEA claim 8 days after it is signed by EMPLOYEE and EMPLOYER, and in the event the PARTIES do not sign on the same date, then this AGREEMENT shall become effective as to any ADEA claim 8 days after the date it is signed by EMPLOYEE (“Effective Date”). This AGREEMENT does not constitute a waiver of any claim under the ADEA that may arise after the date this AGREEMENT is executed by EMPLOYEE.

8. **Severability of Release Provisions**. EMPLOYEE agrees that if any provision of the release given by him under this AGREEMENT is found to be unenforceable, it will not affect the enforceability of the remaining provisions and the courts may enforce all remaining provisions to the extent permitted by law.

9. **Non-Disparagement**. EMPLOYEE promises and agrees that he will not, except as required by law, engage in any conduct or make any statement which is in any way critical of, disparaging to, or otherwise derogatory about EMPLOYER (and as applicable, EMPLOYER’s management, Board of Directors and/or employees) whether to press, investment community, stockholders, business associates, social media or otherwise. Nothing in this Paragraph or in any other provision of this Agreement shall, or is intended to, limit any other rights or remedies the PARTIES may have by virtue of this Agreement or otherwise, including, without limitation filing an action against a PARTY for breach of this Agreement

**10. Confidentiality of AGREEMENT.** EMPLOYEE promises and agrees that, unless compelled by legal process, he will not disclose to others and will keep confidential both the fact of and the terms of this AGREEMENT, including the amounts referred to in this AGREEMENT, except that he may disclose this information to his spouse and to his attorneys, accountants and other professional advisors to whom the disclosure is necessary to accomplish the purposes for which EMPLOYEE has consulted such professional advisors. EMPLOYEE expressly promises and agrees that, unless compelled by legal process, he will not disclose to any present or former employees of EMPLOYER the fact or the terms of this AGREEMENT. If EMPLOYEE is required to disclose this Agreement, its terms or underlying facts pursuant to court order and/or subpoena, EMPLOYEE shall provide written notice to EMPLOYER in accordance with the requirements set forth in Section 15 below. EMPLOYEE acknowledges that EMPLOYER has securities registered with the SEC and has certain reporting requirements that may require EMPLOYER to summarize the terms of this AGREEMENT or file a copy of this AGREEMENT with the SEC. The terms of this provision will no longer apply to EMPLOYEE at such time as EMPLOYER files a copy of this AGREEMENT with the SEC.

**11. Restrictive Covenants.** The PARTIES expressly incorporate and adopt herein the terms and obligations of the restrictive covenant and the remedies for breach thereof contained in Sections 5-8 of the Employment Agreement, which are incorporated herein by reference and which remedies the PARTIES agree shall be applicable to breach of restrictive covenants in paragraphs 9, 12, 13 and 14 of the AGREEMENT.

**12. Confidentiality of EMPLOYER's Confidential Information.** EMPLOYEE acknowledges that due to the position he has occupied and the responsibilities he has had at EMPLOYER, he has received confidential information concerning EMPLOYER's products, procedures, customers, sales, prices, contracts, and the like. EMPLOYEE hereby promises and agrees that, unless compelled by legal process, he will not disclose to others and will keep confidential all information he has received while employed by EMPLOYER concerning EMPLOYER's products and procedures, the identities of EMPLOYER's customers, EMPLOYER's sales, EMPLOYER's prices, the terms of any of EMPLOYER's contracts with third PARTIES, and the like. EMPLOYEE agrees that a violation by him of the foregoing obligation to maintain the confidentiality of EMPLOYER's confidential information will constitute a material breach of this AGREEMENT. This information includes all aspects of the EMPLOYER's business and extends to communication with existing and former employees, customers and business contacts and prohibits EMPLOYEE from discussing the contents of this AGREEMENT or any business of the EMPLOYER. In the event that EMPLOYEE is served with a subpoena in connection with any legal matter which would require disclosure of EMPLOYER's Confidential Information, EMPLOYEE will provide written notice to EMPLOYER as soon as practicable after receipt of subpoena notice to EMPLOYER in accordance with the requirements set forth in Section 15 below.

13. **Return of Company Property**. EMPLOYEE agrees that, as a condition to receiving the severance benefits set forth in this AGREEMENT, he will return all Company property in his possession, custody or control.

14. **Non-Solicitation**. EMPLOYEE agrees that for a period of one (1) year from the Separation Date, he will not directly or indirectly induce or solicit any person who is an employee, officer, contractor or agent of EMPLOYER to terminate his or her employment with or engagement by EMPLOYER.

15. **Notices**. Notice shall be addressed to the PARTIES at the address and facsimile listed below and sent by **both** (a) email **and** (b) by a nationally recognized overnight courier for next day morning delivery, in which case notice shall be deemed delivered one (1) business day after the facsimile has been sent and one (1) business day after deposit with such overnight courier. The addresses below may be changed by written notice to the other each of the **PARTIES** ; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice.

If to **EMPLOYER**                      Ominto, Inc.  
1110-112<sup>th</sup> Avenue NE, Suite 350  
Bellevue, WA 98004  
Email: swong@ominto.com  
Attention: Suzanne Wong, Esq.

If to **EMPLOYEE**:                      Thomas Vogl  
3444 Magnolia Blvd W  
Seattle, WA 98199  
Email: thvogl@gmail.com

16. **Integrated Agreement**. The PARTIES acknowledge and agree that no promises or representations were made to them which do not appear written herein and that this AGREEMENT contains the entire agreement of the PARTIES on the subject matter thereof. The PARTIES further acknowledge and agree that parol evidence shall not be required to interpret the intent of the PARTIES.

17. **Waiver, Amendment and Modification of AGREEMENT**. The PARTIES agree that no waiver, amendment or modification of any of the terms of this AGREEMENT shall be effective unless in writing and signed by all PARTIES affected by the waiver, amendment or modification. No waiver of any term, condition or default of any term of this AGREEMENT shall be construed as a waiver of any other term, condition or default.

18. **Representation by Counsel** . The PARTIES acknowledge that they have had the opportunity to be represented in negotiations for the preparation of this AGREEMENT by counsel of their own choosing, and that they have entered into this AGREEMENT voluntarily, without coercion, and based upon their own judgment and not in reliance upon any representations or promises made by the other PARTY or PARTIES or any attorneys, other than those contained within this AGREEMENT. The PARTIES further agree that if any of the facts or matters upon which they now rely in making this AGREEMENT hereafter prove to be otherwise, this AGREEMENT will nonetheless remain in full force and effect.

19. **Washington Law** . The PARTIES agree that this AGREEMENT and its terms shall be construed under Washington law. The PARTIES acknowledge that this AGREEMENT is enforceable in the federal and/state courts of Washington. EMPLOYEE and EMPLOYER hereby waive any pleas of jurisdiction or venue as not being residents of King County, Washington, and hereby specifically authorize any action brought upon the enforcement of this AGREEMENT to be commenced or filed in King County, Washington.

20. **Agreement to Arbitrate Claims Arising from AGREEMENT** . The PARTIES agree that if any dispute arises concerning interpretation and/or enforcement of the terms of this AGREEMENT, said dispute shall be resolved by binding arbitration conducted in King County, Washington in accordance with the American Arbitration Association's National Rules for the Resolution of Employment Disputes then in effect ("AAA's National Rules"). In the event that such a dispute arises, counsel for both PARTIES will attempt to jointly select an arbitrator. If unable to do so, the procedures outlined in the AAA's National Rules shall govern. Each PARTY shall be afforded the widest rights of discovery as permitted by law (including the right to cross-examine the opposing PARTY's witnesses, either through legal counsel, expert witnesses of both).

21. **Drafting** . The PARTIES agree that this AGREEMENT shall be construed without regard to the drafter of the same and shall be construed as though each PARTY to this AGREEMENT participated equally in the preparation and drafting of this AGREEMENT.

22. **Notice of Breach/Opportunity to Cure** . Each PARTY agrees that before filing any action or initiating arbitration for breach of this AGREEMENT such PARTY must provide the breaching PARTY with written notice of the breach in accordance with Section 15 above and a minimum of 30 days to cure the breach if such breach is curable. The cure of a breach does not eliminate or reduce a breach PARTY's liable for damages.

23. **Attorneys' Fees** . In the event any court action or arbitration is commenced by one PARTY against the other, the prevailing PARTY is entitled to recover its out-of-pocket and costs and reasonable attorneys' fees.

24. **Counterparts** . This AGREEMENT may be signed in counterparts and said counterparts shall be treated as though signed as one document

25. **Voluntary Execution of Agreement** . Employee understands and agrees that he executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third PARTY, with the full intent of releasing all of his claims against the Company. Employee acknowledges that:

- (a) he has read this Agreement;

- (b) he has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of his own choice or has elected not to retain legal counsel;
- (c) he understands the terms and consequences of this Agreement and of the releases it contains: and
- (d) he is fully aware of the legal and binding effect of this Agreement.

Dated: February 8, 2016

EMPLOYEE:

/s/ Thomas Vogl

**Thomas Vogl**

EMPLOYER:

Dated: February 8, 2016

/s/ Mitch Hill

**By: Mitch Hill**

**Its: Interim CEO**



## PROFESSIONAL SERVICES AGREEMENT

THIS Agreement ("Agreement") is made this 7<sup>th</sup> day of June 2016 (the "Effective Date"), by and between Resources Connection LLC, doing business as Resources Global Professionals, with its principal place of business at 17101 Armstrong Avenue, Irvine, CA 92614, for itself and on behalf of all operating entities owned by its parent, Resources Connection, Inc. (collectively "RGP"), and Ominto, Inc., with its principal place of business located at 1515 South Federal Highway, Suite 307, Boca Raton, FL 33432 ("Client"), for the provision of personnel to perform professional services by RGP as more fully set forth in the annexed Statement(s) of Services.

Any Services, as defined below, requested subsequent to the Effective Date of this Agreement or individual amendments to the provisions herein, will be set forth in additional Statements of Services, which will be agreed to and acknowledged, in writing, by both parties.

### 1. Independent Contractor Status

RGP is an independent contractor of Client, and the persons provided hereunder by RGP to Client are RGP's employees, or, in certain circumstances, independent contractors who have contracted with RGP ("Consultants"). RGP will notify Client affirmatively in the applicable Statement of Services if such Consultant is an independent contractor.

### 2. Performance of Services

RGP will provide Client with Consultants to perform professional services on a project or engagement basis ("Services"). A Statement of Services will summarize the scope of the engagement and any special services provisions. Client is responsible for defining the scope and nature of the Services, providing overall direction to the Consultants, and managing the projects and engagements under this Agreement. As such, Client agrees to permit the Consultants to take all statutorily required meal and other break periods as well as to provide a safe working environment and reasonable working space and materials to the Consultants which may be necessary in connection with the performance of Services hereunder. Except as otherwise agreed in a Statement of Services, Consultants will not have the authority to act as an officer or director of Client or to represent or obligate Client in any manner. The Services will not (i) constitute an engagement to provide independent audit or attestation services; (ii) result in the issuance of any written or oral opinions or other communications by RGP or its Consultants to Client or any third party expressing a conclusion or any form of assurance with respect to financial data or internal controls; or (iii) result in the issuance of any written or oral communications by RGP or its Consultants to Client or any third party expressing a conclusion of law or any form of legal opinion.

### 3. Services Agreement

This is a services agreement. RGP warrants it will perform its obligations hereunder in good faith. As Client will direct and manage the Services provided hereunder, RGP makes no additional warranties, whether express, implied, statutory or otherwise including, without limitation, warranties of merchantability, fitness for a particular purpose, quality, suitability or otherwise with respect to any Services performed by its Consultants in connection with this Agreement, except as set forth in Section 4 below.

---



#### 4. Representations and Warranties

RGP further represents and warrants as follows:

- (a) RGP will have sole responsibility to recruit, interview, qualify, select, hire or contract with, counsel, discipline, evaluate and terminate the Consultants. RGP, at the request of Client for any reason that is not unlawful, will remove any of its Consultants assigned to perform Services for Client. This in no way affects the right of RGP to contract with, assign and reassign its Consultants or, in its sole discretion as employer, to hire and/or terminate the employment of its employees.
- (b) RGP will: (i) supply only individuals legally authorized to work in the United States; (ii) complete and maintain I-9 forms in compliance with the Immigration Reform and Control Act of 1986; (iii) conduct background checks to ensure its employees have no felony convictions that would preclude Consultant's hiring during the seven years prior to employment by RGP, nationally and by county of residence; (iv) maintain all necessary personnel and payroll records; (v) establish and calculate wages, benefits and other remuneration; and (vi) calculate, withhold and remit applicable taxes, Social Security and other government-mandated charges to the appropriate governmental entity.
- (c) Consultants have the capability, experience and means necessary to perform the Services in a diligent manner in accordance with accepted professional practices. If such Services are not performed satisfactorily, Client will notify RGP, within ten (10) days of Client's determination of such unsatisfactory performance, to replace the Consultant, re-perform the Services or negotiate an appropriate credit, if any, of the fees incurred.
- (d) RGP will comply with all applicable federal, state, and local laws, rules, regulations, codes, ordinances and orders, including but not limited to all laws and regulations applicable to Consultants. RGP and its Consultants have in effect and will maintain in effect all permits, licenses, and other authorizations necessary for the performance of the Services.
- (e) RGP and its Consultants will observe Client's policies and practices as the same are disclosed, in writing, to RGP, including without limitation, those policies and practices involving health, safety, the environment, and security, when working at or around any of Client's facilities.



## **5. Mutual Indemnification**

Subject to the limitations set forth in Section 6 below, RGP and Client (each an "Indemnifying Party") agree to indemnify and hold harmless the other party and its affiliate, parent and subsidiary companies and including the officers, directors, employees, and agents of all such companies, (the "Indemnified Party") from and against any and all third party actions, losses, damages, claims, liabilities, costs or expenses (including, without limitation, court costs and reasonable legal and professional fees) arising out of or relating to this Agreement and based on any negligent act or omission or intentional misconduct of the Indemnifying Party or its agents that results in or causes: (a) bodily injury or death; (b) any destruction of or damage to tangible property, or loss of use resulting therefrom; or (c) any violation of any statute, ordinance or regulation, except to the extent finally determined to have resulted from the intentional misconduct or negligence of the Indemnified Party. The Indemnifying Party's obligations hereunder are conditioned upon the Indemnified Party providing the Indemnifying Party with: (i) prompt written notification of the claim; (ii) all reasonable information and assistance, at the Indemnifying Party's expense, to defend or settle such a claim; and (iii) sole control of the defense or settlement of such claim. Notwithstanding clause 5(iii) above, the Indemnified Party reserves the right to retain counsel, at the Indemnified Party's expense, and to participate in the defense and settlement of any such claim. The provisions of this paragraph shall survive the completion or termination of this Agreement.

## **6. Limitations of Liability**

Notwithstanding any other provision hereof, neither RGP nor Client will be liable for consequential, special, indirect, incidental, punitive, or exemplary loss, damage, cost or expense (including, without limitation, lost profits and opportunity costs). Exclusive of any recovery under Section 21, RGP and Client understand and expressly agree that the maximum total liability of each party, its agents, parent, affiliates, and subsidiaries, to the other for any actions, losses, damages, claims, liabilities, costs or expenses in any way arising out of or relating to this Agreement, will not exceed the fees paid by Client to RGP hereunder for that portion of RGP's Services or work product giving rise to the claimed liability. The provisions of this paragraph will survive the completion or termination of this Agreement.

## **7. Confidentiality**

RGP and its Consultants will preserve the confidential nature of information received from Client in accordance with Client's established policies and practices, written copies of which will be provided to RGP and acknowledged by each Consultant performing Services for Client. RGP has in place with each Consultant a confidentiality agreement which protects the confidentiality of Client's information.

Client will protect any and all information obtained by it that contains confidential, proprietary or private information about RGP or its employees or independent contractors including, but not limited to, bill rates, background information, background screening results, and social security numbers, regardless of whether such private information was obtained through RGP or through Client's own means.

RGP and Client agree that the most secure method of performing Services for Client is to access and work with Client's confidential information exclusively from Client's own secure information technology environment. RGP and Consultants are responsible for complying with Client's data security protocols. Should Client wish to authorize remote access to its systems, Client will provide RGP with express written authorization to do so and Client will be responsible for providing all necessary and appropriate security safeguards.



Except as may be otherwise provided by Client's written policies or required by law, the obligations of confidentiality will not apply to information which (i) is or becomes publicly available by means other than a breach hereof (including, without limitation, any information filed with any governmental agency and available to the public); (ii) is known to, or rightfully in the possession of, the recipient at the time of disclosure without breach or violation of any confidentiality agreement; (iii) thereafter becomes known to or comes into the possession of the recipient from a third party the recipient reasonably believes is not under any obligation of confidentiality to the disclosing party and is lawfully in the possession of such information; (iv) is developed by the recipient independently of any disclosures previously made by the disclosing party to the recipient; or (v) is required to be disclosed by order, or the process, of a court of competent jurisdiction, administrative agency or governmental body, or by subpoena, summons or other legal process, provided that prior to such disclosure by the recipient the disclosing party is given reasonable advance notice of such order or legal process and an opportunity to object to such disclosure.

RGP may retain archival copies of Confidential Information after the conclusion of any Services for the purposes of complying with the law, regulation or internal practices or compliance policies or for the dispute resolution purposes. RGP shall remain subject to the confidentiality obligations and use restrictions set forth herein.

#### **8. Payment for Services**

Fees for the Services provided hereunder are based on the billing rates set forth in the applicable Statement of Services. Client will reimburse RGP for actual expenses incurred by Consultants in connection with the performance of Services which are consistent with Client's expense policy, a copy of which will be provided by Client concurrent with its execution of this Agreement, and documented with itemized receipts. Any travel by Consultant must be pre-approved by Client. Fees and applicable expenses will be billed weekly, payable upon receipt of RGP's invoices. Should Client dispute the amount of any fees or expenses, resolution of the dispute will not delay payment of the remainder of such invoice. If the Statement of Services provides for Client to pay a retainer prior to the commencement of Services, fees will not be billed against the retainer. RGP reserves the right to collect interest or other penalty from Client for promptly submitted invoices or, in the event of a dispute, for the undisputed portion thereof, upon which payment is not received within thirty (30) days of Client's receipt of such invoice. Specifically, RGP will be entitled to a late charge of the lesser of (i) 1 1/2% per month or (ii) the highest rate allowable by law, in each case compounded monthly to the extent allowable by law. RGP further reserves the right to withdraw all Consultants provided to Client and to cease performing Services hereunder if any invoice is not promptly paid when due.

If the Services requested are to be performed and/or invoiced outside the United States, the applicable Statement of Services will set forth alternative billing, payment and tax provisions.

#### **9. Taxes on the Purchase of Services**

Client will reimburse RGP, pay directly to the appropriate tax authority, or timely file a valid tax exemption certificate for all sales or use taxes legally imposed upon the transactions arising hereunder. All taxes due by Client become due when billed by RGP to Client, or when assessed, levied or billed by the appropriate taxing authority, even though such billing occurs subsequent to expiration of this Agreement.



**10. Assignment and Delegation**

Neither party will assign or delegate this Agreement or any rights, duties or obligations hereunder without the express written consent of the other except that either party may assign its rights, duties and obligations hereunder to any successor by reason or merger, reorganization, sale of all or substantially all of the assets, change of control or operation of law. RGP agrees to provide services to an assignee of Client pursuant to the terms set forth herein only if such assignee provides sufficient financial information to enable RGP to adequately evaluate the creditworthiness of such assignee and meets RGP's other qualification standards and criteria. Subject to the foregoing, this Agreement will inure to the benefit of and be binding upon the successors, legal representatives and assignees of the parties hereto.

**11. Insurance**

RGP is insured under the following policies and in the amounts listed below:

Policy Type	Limit	Deductible/ Retention
Workers' Compensation or similar law	Statutory per accident	None
Employer's Liability	\$1,000,000 per accident	None
Commercial General Liability	\$1,000,000 occurrence; \$2,000,000 aggregate	None
Business Auto (non-owned and hired)	\$1,000,000 combined single limit	None
Umbrella Liability (general liability, auto and employer's liability)	\$20,000,000 per occurrence and aggregate	None
Professional Liability	\$20,000,000 per claim and aggregate	\$100,000 retention
Specialty Risk or Cyber Liability (security and privacy liability, regulatory action and network interruption)	\$5,000,000 per claim and aggregate	\$100,000 retention
Crime/Employee Dishonesty	\$5,000,000 per occurrence and aggregate	\$50,000 deductible

Upon request, Client will be named as an additional insured, where applicable, and a Certificate of Insurance will be provided.



## **12. Ownership and Intellectual Property Rights**

All work product of any kind that Consultants may make, conceive, develop or reduce to practice, alone or jointly with others, in connection with performing Services or that result from or that are related to such Services, whether or not they are eligible for patent, copyright, mask work, trade secret, trademark or other legal protection ("Work Product") will be works made for hire owned exclusively by Client except that RGP shall retain all right, title and interest in any methodologies, analyses and other material developed by RGP or any Consultant which relates to RGP's business and does not contain and is not derived from Client's confidential information ("RGP Material"). RGP hereby agrees to irrevocably transfer and assign to Client all right, title and interest in and to the Services and any Work Product, including all intellectual property or proprietary rights therein, but excluding any RGP Materials. At Client's request and expense, during and after the term of this Agreement, RGP will assist and cooperate with Client in all respects and will execute documents, and, subject to the reasonable availability of RGP and Consultants, give testimony and take such further acts reasonably requested by Client to enable Client to acquire, transfer, maintain, perfect and enforce its intellectual property rights and other legal protections for the Work Product.

## **13. Record Retention, Audits and Inspections**

RGP will make all accounting, operational and business records, which are in RGP's possession or under its control and which are necessary to verify the basis for all charges billed to Client hereunder, available for Client's examination upon at least five (5) business days prior written notice, during RGP's regular business hours, during the term of this Agreement and for a period of three (3) years after its completion or termination.

## **14. Employment Fee**

Client, for itself and on behalf of its parent, subsidiaries and affiliates, agrees that if it hires or contracts for services with, either directly or through a third party, any Consultant provided hereunder during such Consultant's engagement with Client or within six months thereafter, Client will pay RGP a fee equal to 20% of such person's annualized salary or contracted fee paid by Client, whichever is applicable. The provisions of this paragraph shall survive the completion or termination of this Agreement.

## **15. Non-Exclusive Rights**

Nothing in this Agreement will preclude or limit either party from independently acquiring or developing competitive products or services for itself or its clients or customers, or from providing competitive products or services to its clients or customers, so long as such party does not breach the obligations it has assumed hereunder, including the confidentiality obligations, or otherwise violate the rights of the other party.

## **16. Termination of the Agreement**

This Agreement may be terminated by either party upon thirty (30) days' prior written notice to the other party; provided, however, the Confidentiality; Employment Fee; Record Retention, Audit and Inspection; Mutual Indemnification; Limitations of Liability; and Taxes on the Purchase of Services provisions will survive indefinitely the termination of this Agreement.

**17. Acceptance**

By accepting the Services of Consultants hereunder, Client is deemed to have consented to the material terms set forth herein.

**18. Modifications**

The terms of this Agreement may be modified only by a writing signed by both parties.

**19. Notice**

Any notice required to be given hereunder will be delivered personally or sent by telecopy, overnight courier or first class mail, postage prepaid, to the following address (or to the address listed above if none is provided here):

To RGP:

Resources Global Professionals  
7101 Armstrong Avenue  
Irvine, CA 92614  
Attn: Legal Department  
Fax: 714-428-6010

To Client:

Ominto, Inc.  
1515 South Federal Highway, Suite 307  
Boca Raton, FL 33432  
Attn: General Counsel

**20. Waiver**

No waiver of or failure to enforce any term of this Agreement or Statement of Services will affect or limit a party's right thereafter to enforce and compel strict compliance with every term thereof.

**21. Attorneys' Fees and Costs**

With respect to any dispute arising out of or relating to this Agreement, including the writings incorporated by reference herein, or the breach hereof or thereof, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs incurred in connection with any action or proceeding related to such dispute.

**22. Headings**

The headings herein are for the purposes of convenience and ready reference only and will not be deemed to expand or limit the particular sections to which they pertain.

**23. Severability**

In the event any part of this Agreement is judged invalid or unenforceable, such invalidity or unenforceability shall not affect the remaining provisions hereof.



**24. Entire Agreement**

This Agreement and the Statement(s) of Services attached hereto represent the entire understanding between the parties. In the event of any conflict between the terms of this Agreement and any Statement of Services, the terms of the governing Statement of Services will control.

**25. Governing Law**

The validity, construction, enforcement, and interpretation of this Agreement will be governed by the substantive laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto do hereby execute this Agreement as of the Effective Date.

**Resources Global Professionals**

**By:** /s/ James Giustini  
**Name:** James Giustini  
**Title:** Managing Director  
**Date:** June 6 2016

**Ominto, Inc.**

**By:** /s/ Mitch Hill  
**Name:** Mitch Hill  
**Title:** Executive Board Member, Ominto  
**Date:** 6/7/16

**SHARE EXCHANGE AGREEMENT**

THIS SHARE EXCHANGE AGREEMENT (“**Agreement**”) is made and entered into this 13th day of December, 2016 (the “**Agreement Date**”), by and between Ominto, Inc. (“**Ominto**”); and Quant Systems, Inc. (“**Quant**”). Ominto and Quant are sometimes referred to individually as a “**Party**” and collectively as the “**Parties**”.

RECITALS

**WHEREAS**, Quant desires to acquire eight hundred three thousand five hundred seventy-one (803,571) shares of Ominto’s common stock at a value of \$3.50/share (the “**Ominto Shares**”) in exchange for the Consideration, as defined below; and

**WHEREAS**, Ominto desires to sell Ominto Shares to Quant in accordance with the terms set forth in this Agreement.

AGREEMENT

**NOW, THEREFORE**, in consideration of the promises and mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

**1. PURCHASE AND TRANSFER OF SHARES**

1.1 Sale of Ominto Shares. Upon the receipt by Ominto of the Consideration on the Closing Date, as defined below, Ominto hereby sells, grants, and assigns to Quant, and Quant purchases and accepts from Ominto, free and clear of all Encumbrances, as defined below, and subject to the terms of this Agreement, all of Ominto’s right, title and interest in and to Ominto Shares.

1.2 For purposes of this Agreement, “**Encumbrance**” means any lien, pledge, hypothecation, charge, security interest, encumbrance, equity, trust, equitable interest, claim, preference, right of possession, lease, license, encroachment, covenant, infringement, interference, order, proxy, option, right of first refusal, preemptive right, community property interest, legend, defect, impediment, exception, reservation, limitation, impairment, imperfection of title, condition, or restriction of any nature.

1.3 The “**Closing Date**” shall be the date mutually agreed to by the Parties after the Closing Conditions set forth in Section 6 are satisfied. On the Closing Date, the Consideration shall be delivered to Ominto and Ominto Shares shall be transferred to Quant.

**2. CONSIDERATION**

2.1 Consideration. In consideration of the sale and assignment by Ominto of Ominto Shares, Quant hereby agrees to issue and/or transfer to Ominto on the Closing Date, free and clear of all Encumbrances, all right, title, and interest in and to shares of Quant’s common stock (the “**Quant Shares**” or the “**Consideration**”) with an aggregate value of two million eight hundred twelve thousand four hundred ninety-nine dollars (\$2,812,499) which will represent, on a fully-diluted basis, 18.75% of the issued and outstanding common stock of Quant.

### 3. REPRESENTATIONS AND WARRANTIES OF OMINTO

Ominto hereby makes the following representations and warranties to Quant as of the Agreement Date and the Closing Date (other than representations and warranties that are made as of a specific date, which representations and warranties shall have been true and correct as of such date), which representations and warranties are made for the express purpose of inducing Quant to enter into this Agreement and consummate the transactions contemplated hereby.

3.1 Organization, Good Standing and Authority. Ominto is a corporation duly organized, validly existing, and in good standing under the laws of Nevada, and has authority to enter into this Agreement and perform its obligations hereunder. This Agreement constitutes a valid and binding agreement of Ominto enforceable in accordance with its terms. Neither the execution and delivery of this Agreement nor the consummation by Ominto of the transactions contemplated hereby, nor compliance by Ominto with any of the provisions hereof, will (i) constitute a violation of or default under, any contract, instrument, commitment, agreement, understanding, arrangement, or restriction of any kind to which Ominto is a party, or by which Ominto or the Ominto Shares may be bound, or (ii) violate any rule, regulation, law, statute, ordinance, judgment, order, writ, injunction, or decree of any court, administrative agency, or governmental body applicable to Ominto or the Ominto Shares. The transactions contemplated hereby have been approved by Ominto's Board of Directors.

3.2 No Broker. Ominto represents that it has not engaged any broker or finder in connection with this transaction. Ominto will indemnify and hold harmless Quant for any cost or expense including, but not limited to, court costs and reasonable attorneys' fees incurred by Quant as a result of a claim by any broker or finder based upon dealings by Ominto with such broker or finder.

3.3 Disclosure. No representation or warranty made by Ominto in this Agreement or in any document furnished in connection herewith contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading.

3.4 Capitalization. The authorized capital stock of Ominto consists of (i) 200,000,000 shares of common stock, of which 13,935,315 shares are validly issued and outstanding, and (ii) 25,000,000 shares of preferred stock, of which 185,000 shares are validly issued and outstanding. All of such issued and outstanding shares were validly issued in compliance with applicable law, are fully paid and non assessable. There is no existing option, warrant, call, commitment or other agreement to which Ominto is a party requiring, and there are no convertible securities of Ominto outstanding which upon conversion would require, the issuance of any additional shares of capital stock of Ominto or other securities convertible into shares of capital stock of Ominto.

3.5 Financial Statements. During the period commencing on the date of the most-recently filed financial statements and ending on the Closing Date, (a) there have been no material adverse changes in Ominto's financial statements or in the financial condition or prospects of Ominto; and (b) Ominto has conducted its business in the ordinary course of business consistent with past practices.

3.6 Taxes. Ominto has timely and appropriately filed all tax returns as required to be filed. All tax returns filed by Ominto are true, correct and complete in all respects. All taxes owed (or required to be remitted) by Ominto (whether or not shown or required to be shown on any tax return) have been timely paid. No claim has been made by any governmental body in a jurisdiction where Ominto does not file tax returns that Ominto is or may be subject to the payment, collection or remittance of any tax of that jurisdiction or is otherwise subject to taxation by that jurisdiction. There are no Encumbrances of any kind on any of the assets of Ominto in connection with, or otherwise related to, any failure (or alleged failure) to pay any tax.

3.7 Litigation; No Violation. There is no legal or administrative proceeding pending, threatened or anticipated against Ominto. Ominto has no knowledge of any event that has occurred or circumstance that exists that would reasonably be expected to give rise to or serve as a basis for the commencement of any legal or administrative proceeding. Ominto is not in violation of any applicable laws including, without limitation, labor, employment, and environmental laws, or in breach or default of any agreement, document, judgment, injunction, order or decree binding upon Ominto which could reasonably be expected to result in a material adverse effect on Ominto.

#### 4. REPRESENTATIONS AND WARRANTIES OF QUANT

Quant hereby makes the following representations and warranties to Ominto as of the Agreement Date and the Closing Date (other than representations and warranties that are made as of a specific date, which representations and warranties shall have been true and correct as of such date), which representations and warranties are made for the express purpose of inducing Ominto to enter into this Agreement and consummate the transactions contemplated hereby.

4.1 Organization, Good Standing, and Authority. Quant is a corporation duly organized, validly existing, and in good standing under the laws of Texas and has authority to enter into this Agreement and perform its obligations hereunder. This Agreement constitutes a valid and binding agreement of Quant enforceable in accordance with its terms. The transactions contemplated hereby have been approved by Quant's Board of Directors.

4.2 No Breach. The execution and delivery of this Agreement by Quant on the Closing Date is not an event which, of itself or with the giving of notice or the passage of time, or both, could constitute a violation of or conflict with or result in any breach of, or default under the terms, conditions, or provisions of any judgment, law, or regulation, or Quant's charter documents, or any agreement or instrument to which Quant is a party or by which it is bound.

4.3 No Broker. Quant represents that it has not engaged any broker or finder in connection with this transaction. Quant will indemnify and hold harmless Ominto for any cost or expense including, but not limited to, court costs and reasonable attorneys' fees incurred by Ominto as a result of a claim by any broker or finder based upon dealings by Quant with such broker or finder.

4.4 Disclosure. No representation or warranty made by Quant in this Agreement or in any document furnished in connection herewith contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading.

4.5 Capitalization. The authorized capital stock of Quant consists of 10,000,000 shares of common stock, of which one hundred (100) shares are validly issued and outstanding. All of such issued and outstanding shares were validly issued in compliance with applicable law, are fully paid and non assessable. There is no existing option, warrant, call, commitment or other agreement to which Quant is a party requiring, and there are no convertible securities of Quant outstanding which upon conversion would require, the issuance of any additional shares of capital stock of Quant or other securities convertible into shares of capital stock of Quant.

4.6 Title to Shares. Quant, on the Closing Date, shall have (A) good and valid title to the Quant Shares, free and clear of all Encumbrances, and (B) the right to sell, assign, and transfer the Quant Shares (with all voting rights) to Ominto, free and clear of any restrictions on such transfer.

4.7 Financial Statements. Quant has delivered to Ominto true and correct copies of the most-recently prepared balance sheet and income statement of Quant and (ii) compiled financial statements of Quant for the prior three fiscal years (collectively, the "**Financial Statements**"). The Financial Statements have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods covered thereby, and present fairly the financial condition of Quant as of and for their respective dates. Quant does not have any liabilities which are not reflected on the Financial Statements. Quant's books and records (including all financial records, business records, customer lists, and records pertaining to products or services delivered to customers) (i) are complete and correct in all material respects and all transactions to which Quant is or has been a party are accurately reflected therein in all material respects, (ii) reflect all discounts, returns and allowances granted by Quant with respect to the periods covered thereby, (iii) form the basis for the Financial Statements and (iv) reflect in all material respects the assets, liabilities, financial position, and results of operations of Quant. All computer-generated reports and other computer output included in such Quant's books and records are complete and correct in all material respects and were prepared in accordance with sound business practices based upon authentic data. Quant's management information systems are adequate for the preservation of relevant information and the preparation of accurate reports. During the period commencing on the date of the most-recent Financial Statement and ending on the Closing Date, (a) there have been no material adverse changes in the Financial Statements or in the financial condition or prospects of Quant; and (b) Quant has conducted its business in the ordinary course of business consistent with past practices.

4.8 Taxes. Quant has timely and appropriately filed all tax returns as required to be filed. All tax returns filed by Quant are true, correct and complete in all respects. All taxes owed (or required to be remitted) by Quant (whether or not shown or required to be shown on any tax return) have been timely paid. No claim has been made by any governmental body in a jurisdiction where Quant does not file tax returns that such Quant is or may be subject to the payment, collection or remittance of any tax of that jurisdiction or is otherwise subject to taxation by that jurisdiction. There are no Encumbrances of any kind on any of the assets of Quant in connection with, or otherwise related to, any failure (or alleged failure) to pay any tax.

4.9 Litigation; No Violation. There is no legal or administrative proceeding pending, threatened or anticipated against Quant. Quant has no knowledge of any event that has occurred or circumstance that exists that would reasonably be expected to give rise to or serve as a basis for the commencement of any legal or administrative proceeding. Quant is not in violation of any applicable laws including, without limitation, labor, employment, and environmental laws, or in breach or default of any agreement, document, judgment, injunction, order or decree binding upon Quant which could reasonably be expected to result in a material adverse effect on Quant.

4.10 Negative Covenants. After the closing of the transactions contemplated herein, for so long as Ominto is a holder of any shares of Quant, without the prior written consent of Ominto, Quant shall neither:

- (a) incur any secured or unsecured indebtedness except in the ordinary course of business; nor
- (b) issue any additional shares, any options to issue shares, or any other instruments convertible into shares of Quant.

## 5. CONFIDENTIALITY

5.1 The Parties agree that, in connection with this Agreement, the Parties have disclosed and intend to further disclose to each other information that is considered confidential and proprietary or otherwise not generally available to the public. In order to protect their proprietary, confidential, and otherwise non-public information, the Parties agree to the following provisions with respect to confidentiality of information.

5.2 As used in this Section 5.2, “ **Confidential Information** ” means all nonpublic information previously disclosed or that will be disclosed by one party, its affiliates or its or their respective agents (the “ **Disclosing Party** ”) to the other party, its affiliates, or its agents (the “ **Receiving Party** ”) that is designated as confidential or that, given the nature of the information or the circumstances surrounding its disclosure, reasonably should be considered as confidential. Confidential Information includes, but is not limited to, whether or not designated as confidential: (i) nonpublic information relating to the Disclosing Party’s technology, customers, distributors, business plans, promotional and marketing activities, finances, and other business affairs, and (ii) third-party information that the Disclosing Party is obligated to keep confidential. Confidential Information does not include any information that (w) is or becomes publicly available without breach of this Section 5, (x) can be shown by documentation to have been known to the Receiving Party at the time of its receipt from the Disclosing Party without obligation of confidentiality, (y) is received from a third party who, to the knowledge of the Receiving Party, did not acquire or disclose such information by a wrongful or tortious act, or (z) can be shown by documentation to have been independently developed by the Receiving Party without reference to any Confidential Information.

5.3 The Receiving Party may use Confidential Information of the Disclosing Party only in connection with this Agreement. Except as expressly provided in this Section, the Receiving Party may not disclose Confidential Information to anyone without the Disclosing Party's prior written consent. The Receiving Party will take all reasonable measures to avoid unauthorized disclosure, dissemination, or use of Confidential Information; and, in any event, such measures will not be less than the Receiving Party currently employs, if any, to protect its own confidential information from unauthorized disclosure, dissemination, or use. The Receiving Party will restrict the possession, knowledge and use of Confidential Information to its representatives who have a need to know Confidential Information in connection with this Agreement. Receiving Party must inform all representatives of the confidential nature of the information, and all representatives must expressly agree to treat the information as confidential in accordance with this Section 5. The Receiving Party is fully responsible for any breach of this Section 5 by its representatives.

5.4 The Receiving Party may disclose Confidential Information as required to comply with binding orders of governmental entities that have jurisdiction over it, provided that the Receiving Party (i) gives the Disclosing Party reasonable notice (to the extent permitted by law) to allow the Disclosing Party to seek a protective order or other appropriate remedy, (ii) discloses only such information as is required by the governmental entity, and (iii) uses commercially reasonable efforts to obtain confidential treatment for any Confidential Information so disclosed.

5.5 The Receiving Party acknowledges that disclosure or use of Confidential Information in violation of this Section 5 could cause irreparable harm to the Disclosing Party for which monetary damages may be difficult to ascertain or an inadequate remedy. The Receiving Party agrees that the Disclosing Party has the right, in addition to its other rights and remedies under this Agreement, to seek injunctive relief for any threatened or actual violation of this Section 5, without any requirement to post bond or provide similar security.

## 6. CONDITIONS TO CLOSING

6.1 Conditions to Closing. Each Party's obligation to consummate the transactions set forth herein will be subject to satisfaction or waiver by the appropriate Party of the following condition on or before the Closing Date, such satisfaction or waiver being evidenced by the closing of the transactions contemplated herein:

- (a) The representations and warranties of each Party shall be true and correct as of the Agreement Date and as of the Closing Date as if made on the Closing Date (other than representations and warranties that are made as of a specific date, which representations and warranties shall have been true and correct as of such date).

## 7. RIGHT TO PURCHASE SHARES

7.1 Ominto shall have the right, but not the obligation, to purchase up to four hundred one thousand seven hundred eighty-five (401,785) of the Ominto Shares (the “**Offer Shares**”) from Quant as set forth below in one or more transactions.

7.2 Ominto shall have the right commencing on the Closing Date and continuing for twelve (12) months thereafter to purchase the Offer Shares from Quant at a purchase price of five dollars (\$5) per share.

7.3 Ominto shall notify Quant of its intent to exercise its option in writing stating the number of shares it desires to purchase and the purchase price for such shares.

7.4 The closing for each such purchase shall occur within ten (10) business days after such notice is delivered.

7.5 The purchase agreement for any such purchase shall include representations and warranties standard for a transaction of this type including, but not limited to, warranties related to authority, ownership, and the ability to convey title to the purchased shares.

## 8. OTHER PROVISIONS

8.1 Governing Law. This Agreement will be construed and interpreted according to the laws of the State of Florida without reference to its conflicts of law principles and Quant and Ominto consent to exclusive jurisdiction and venue in the state and federal courts located in and for Palm Beach County, Florida. The Parties hereby consent to the jurisdiction of such courts and irrevocably waive any objections thereto, including without limitation, on the basis of improper venue or *forum non conveniens*.

8.2 Waiver. Any Party may, at its option, waive only by written notice, any and all of the conditions to which its obligations under this Agreement are subject. No delay on the part of any Party in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise of any right or remedy will preclude other or further exercise thereof or the exercise of any other right or remedy. All remedies provided herein or otherwise available (including at law or in equity) will be cumulative. The waiver or non-enforcement of any breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach. No waiver will be legally operative unless in writing and signed by the Party to be bound.

8.3 Attorneys' Fees. In any suit or action brought to enforce this Agreement, the exhibits or schedules attached hereto or any other signed instrument referred to herein, or to obtain an adjudication, declaratory or otherwise, of rights hereunder or thereunder, the losing Party will pay to the prevailing Party reasonable attorneys' fees and all other costs and expenses which may be incurred by the prevailing Party in such action. In the event that both Parties prevail, in part, the court will have the discretion to award fees and costs as it deems equitable.

8.4 Amendment and Modifications. The Parties may amend, modify or supplement this Agreement in such manner as may be agreed upon but only by a written instrument dated subsequent to the date of this Agreement and signed by the Parties.

8.5 Entire Agreement. This Agreement constitutes the entire agreement among the undersigned and supersedes all prior agreements and understandings, oral and written, among the Parties with respect to the subject matter hereof, including but not limited to that certain Summary of Non-Binding Terms between the Parties dated May 31, 2016 and that certain Share Exchange Agreement dated September 14, 2016. In case of a conflict between a provision of this Agreement and a provision of an exhibit or schedule included herein, the provision of this Agreement will control. The Recitals and all exhibits and schedules to this Agreement are hereby incorporated into this Agreement as if fully set forth herein.

8.6 Expenses. Except as otherwise provided in this Agreement, the Parties will pay their respective expenses incurred in connection with the preparation, execution, and delivery of this Agreement and the consummation of the transactions contemplated hereby.

8.7 Survival. All representations, warranties, covenants, and agreements made by the Parties in the Agreement will survive the execution and closing of the transactions contemplated hereby. All provisions which by their nature are meant to survive closing shall survive closing for the applicable statute of limitations.

8.8 Notices, Etc. All notices, requests, consents, approvals, or authorizations in connection with this Agreement: (a) must be given in writing; and (b) will be deemed given as of (i) the day they are delivered on paper by a globally recognized express delivery service (such as FedEx Express, DHL, or UPS), addressed as set forth below, or (ii) if delivery is unsuccessful, the first date such delivery is attempted or refused:

If to Quant: Quant Systems, Inc.

ATTN: Srinivas Veeravelli  
600 E John Carpenter Fwy  
Suite #375  
Irving, TX 75062

If to Ominto: Ominto, Inc.

ATTN: General Counsel  
1515 S. Federal Highway, Suite 307  
Boca Raton, FL 33432

With a copy to: K&L Gates LLP  
ATTN: Clayton Parker  
200 South Biscayne Blvd., Suite 3900  
Miami, FL 33131

Such addresses may be changed, from time to time, by means of a written notice delivered by the Party seeking to change such address in the manner provided for in this Section 8.8.

8.9 Service of Process. Each Party which does not have an address in the United States shall appoint an agent for service of process in the United States and shall provide to the other Party the name and address of such agent upon execution of this Agreement.

8.10. Assignment. This Agreement may not be assigned by either Party without the prior written consent of the other Party.

8.11 Invalidity. The invalidity or unenforceability of any term or provision of this Agreement or the application of such term or provision to any person or circumstance will not impair or affect the remainder of this Agreement or its application to other persons and circumstances, and the remaining terms and provisions will remain in full force and effect, so long as the economic or legal substance of the transactions provided for in this Agreement is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties further agree to use good faith efforts to replace such void and unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the original intent of the Parties in order that the transactions provided for in this Agreement are consummated as originally contemplated to the fullest extent possible.

8.12 Counterparts. This Agreement may be signed in counterparts, each of which will be deemed an original and all of which will together constitute one agreement. Delivery of an executed signature page to this Agreement by a Party by electronic transmission, including fax or email, will be as effective as delivery of a manually executed copy of the Agreement by such Party.

8.13 Indemnification. From and after the Closing Date, each Party (for purposes of this Section 8.13, the “**Indemnifying Party**”) shall indemnify and hold harmless the other Party (for purposes of this Section 8.13, the “**Indemnified Party**”) from and against any and all losses, claims, damages, liabilities, penalties, judgments, suits, costs and expenses (including reasonable legal fees and disbursements, which shall be reimbursed periodically as incurred) that are suffered or incurred by the Indemnified Party arising out of, resulting from, or relating to any of the following matters:

- (a) the inaccuracy of any representation or warranty made by the Indemnifying Party in this Agreement;
- (b) the inaccuracy of any information provided by the Indemnifying Party as part of the due diligence process; and
- (c) the failure by the Indemnifying Party to perform any covenant or agreement made by the Indemnifying Party in this Agreement.

*Signature Page Follows*

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date first above written.

**QUANT SYSTEMS INC.**

By: /s/ Srinivas Veeravelli  
Print Name: Srinivas Veeravelli  
Title: CEO

**OMINTO, INC.**

By: /s/ Raoul Quijada  
Print Name: Raoul Quijada  
Title: INTERIM CFO

*Signature Page to Share Exchange Agreement*

---



Trolle Advokatfirma  
 Advokatpartnerselskab  
 Vesterballevej 25  
 Snoghoj  
 7000 Fredericia  
 Advokat Michael Duelund  
 j.nr. 13-147094-BJ

## Promissory Note

between

**Business Across APS**  
**CVR nr. 19302288**  
**Hellersvej 1**  
**4872 Idestrup**  
 (hereinafter called the “**Borrower**”)

and

**Ominto, Inc.**  
**1515 S. Federal Hwy, Suite 307**  
**Boca Raton, FL 33432**  
**USA**  
 (hereinafter called the “**Lender**”)

The Lender has in accordance with this Promissory Note (“**Promissory Note**”), agreed to provide the Borrower with a secured loan of USD 900.000 (the “**Loan**”).

The Borrower shall use all the money borrowed under this agreement to acquire newly issued shares of common stock of Ominto, Inc., 1515 S. Federal Hwy, Suite 307, Boca Raton, FL 33432, USA (the “**Shares**”) in accordance with that certain stock purchase agreement between Borrower and Lender dated of even date herewith. The issue price of the shares is USD 4 per share.

The Borrower shall pay interest on the loan at the rate of 3,5% per annum (“**Interest Rate**”). Interest shall accrue monthly and shall be payable February 14, 2017. If the Borrower fails to make any payment due under this Promissory Note, the interest rate will increase to 12% per annum from the date of nonpayment to the date of actual payment (both before and after judgment).

The Borrower shall repay the Loan in full plus any interests due calculated in accordance with this Promissory Note on February 14, 2017. The Borrower can at any time before February 14, 2017 repay the loan plus any interest due at the time of repayment.

As security for the Loan and the Borrower's obligations under this Promissory Note, the Borrower shall secure the execution and delivery of a personal guaranty (In Danish “Selvskyldnerkaution”) of the Obligations by Peter Villads Vest Hansen (the “**Guarantor**”) substantially in the form attached hereto as Exhibit A (the “**Guaranty**”).

As further security for the Loan and the Borrower's obligations in accordance with this Promissory Note, the Borrower shall secure a pledge by the Guarantor to the Lender of the mortgage deed (value DKK 6.000.000) secured on the property matr. Nr.. 5 n Hillestrup by, Idestrup, located Hel-lersvej 1, 5872 Idestrup, DK (the “**Mortgage Deed**”) and upon execution of this Promissory Note, Borrower will ensure that Guarantor will electronically confirm the pledge using his “NEM ID” on <https://www.tinglysning.dk/>, enabling the registration of the pledge on the Mortgage Deed.



In cases of breach of the Promissory Note by the Borrower, the Lender can immediately and without further action or judgment or notice to the Borrower demand payment in full of the Loan and all interest accrued thereon.

This Promissory Note is enforceable in accordance with the Danish Code of Civil Procedure article 478, section 1, no. 5.

If the Borrower fails to comply with this Promissory Note, the Lender is entitled to, in addition to demanding that the Loan and accrued interest and costs be paid in full immediately and without further action or judgment or notice to the Borrower:

1. Exercise Lender's rights under the Guaranty; and/or
2. Demand that the property in which the Mortgage Deed is registered be sold at a public auction, collect the proceeds, use the proceeds to reduce the amount due under this Promissory Note, and claim any remaining amount be paid by the Guarantor.

The parties are aware that the debt becomes obsolete 10 years after the Promissory Note is issued, but also that the limitation period is interrupted if the Borrower acknowledges the Promissory Note to the Lender or the Lender has previously made legal steps to collect the debt.

This Promissory Note and any dispute or claim (including non—contractual disputes and claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the Danish Laws.

The Parties agree that the Courts of Denmark shall have exclusive jurisdiction over any dispute or claim that arises out of, or in connection with this Promissory Note.

This Promissory Note is signed in an original version that is being kept by the Lender and a copy that is being kept by the Borrower.

13-12-2016

idestrup,

**BORROWER**  
Business Across ApS

/s/ Peder Villads Vest-Hansen  
Peder Villads Vest-Hansen  
Managing Director

**LENDER**  
Ominto, Inc.

By: /s/ Michael Hansen

Name: Michael Hansen

Title: CEO

Exhibit A  
Guaranty

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

I, Michael Hansen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ominto, Inc.;
2. Based on my knowledge, this Annual 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 Annual Report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this Annual 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 Annual Report;
4. The registrant's other certifying officer(s) 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 have 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 Annual Report is being prepared;
  - (b) designed such internal controls 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 consolidated 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 Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as 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(s) 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 function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

DATE: December 29, 2016

/s/ MICHAEL HANSEN

---

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

I, Raoul Quijada, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ominto, Inc.;
2. Based on my knowledge, this Annual 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 Annual Report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this Annual 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 Annual Report;
4. The registrant's other certifying officer(s) 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 have 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 Annual Report is being prepared;
  - (b) designed such internal controls 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 consolidated 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 Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as 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(s) 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 function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

DATE: December 29, 2016

/s/ RAOUL QUIJADA

---

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C.  
SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Ominto, Inc. (the "Company") on Form 10-K for the year ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Hansen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

DATE: December 29, 2016

/s/ MICHAEL HANSEN  
Michael Hansen  
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C.  
SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Ominto, Inc. (the "Company") on Form 10-K for the year ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raoul Quijada, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

DATE: December 29, 2016

/s/ RAOUL QUIJADA

Raoul Quijada  
Interim Chief Financial Officer