NTN BUZZTIME INC
Form 10-Q
November 14, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2013**

**Commission file number 001-11460**

**NTN Buzztime, Inc.**

**(Exact name of registrant as specified in its charter)**

| **DELAWARE** | **31-1103425** |
|---|---|
| **(State of incorporation)** | **(I.R.S. Employer Identification No.)** |

| **2231 RUTHERFORD ROAD, SUITE 200, CARLSBAD, CALIFORNIA** | **92008** |
|---|---|
| **(Address of principal executive offices)** | **(Zip Code)** |

**(760) 476-3543**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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 x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 S No ¨

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" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer¨ | Accelerated filer ¨ |
| Non-accelerated filer ¨ (Do not check if a smaller reporting company) | Smaller reporting company x |

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

As of November 11, 2013 the registrant had outstanding 71,793,844 shares of common stock, $.005 par value per share.

NTN BUZZTIME, INC. AND SUBSIDIARIES

FORM 10-Q

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**PART I**

**Item 1.** ***Financial Statements*****.**

**NTN BUZZTIME, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(In thousands, except par value amount)**

| | September 30, 2013 (unaudited) | December 31, 2012 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 2,168 | $ 2,721 |
| Accounts receivable, net of allowances of $134 and $226, respectively | 533 | 610 |
| Prepaid expenses and other current assets | 1,192 | 898 |
| Total current assets | 3,893 | 4,229 |
| Broadcast equipment and fixed assets, net | 3,227 | 3,783 |
| Software development costs, net of accumulated amortization of $2,155 and $1,774, respectively | 2,343 | 1,980 |
| Deferred costs | 395 | 600 |
| Goodwill (Note 3) | 1,222 | 1,265 |
| Intangible assets, net (Note 3) | 259 | 579 |
| Other assets | 310 | 220 |
| Total assets | $ 11,649 | $ 12,656 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | $ 995 | $ 1,087 |
| Accrued compensation | 813 | 598 |
| Sales taxes payable | 141 | 197 |
| Income taxes payable | 71 | 79 |
| Obligations under capital lease - current portion | 25 | 100 |
| Deferred revenue | 515 | 919 |
| Other current liabilities | 345 | 408 |
| Total current liabilities | 2,905 | 3,388 |
| Obligations under capital leases, excluding current portion | 64 | 67 |
| Deferred revenue, excluding current portion | 248 | 188 |
| Deferred rent | 861 | 949 |

| | | |
|---|---|---|
| Other liabilities | 329 | 170 |
| Total liabilities | 4,407 | 4,762 |
| | | |
| Commitments and contingencies (Note 8) | | |
| | | |
| Shareholders' Equity: | | |
| Series A 10% cumulative convertible preferred stock, $.005 par value, $156 liquidation preference, 5,000 shares authorized; 156 shares issued and outstanding at September 30, 2013 and December 31, 2012 | 1 | 1 |
| Common stock, $.005 par value, 168,000 and 84,000 shares authorized on September 30, 2013 and December 31, 2012, respectively (Note 14); 71,773 and 71,123 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively | 359 | 355 |
| Treasury stock, at cost, 503 shares at September 30, 2013 and December 31, 2012 | (456) | (456) |
| Additional paid-in capital | 119,077 | 118,956 |
| Accumulated deficit | (112,440) | (111,730) |
| Accumulated other comprehensive income (Note 9) | 701 | 768 |
| Total shareholders' equity | 7,242 | 7,894 |
| Total shareholders' equity and liabilities | $ 11,649 | $ 12,656 |

See accompanying notes to unaudited condensed consolidated financial statements.

**NTN BUZZTIME, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

**(In thousands, except per share amounts)**

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues | $5,526 | $6,050 | $17,174 | $18,131 |
| Operating expenses: | | | | |
| Direct operating costs (includes depreciation and amortization of $495 and $542 for the three months ended September 30, 2013 and 2012, respectively, and $1,599 and $1,650 for the nine months ended September 30, 2013 and 2012, respectively.) | 1,532 | 1,519 | 5,017 | 4,690 |
| Selling, general and administrative | 4,053 | 4,257 | 12,318 | 14,442 |
| Depreciation and amortization (excluding depreciation and amortization included in direct operating costs) | 177 | 175 | 556 | 540 |
| Total operating expenses | 5,762 | 5,951 | 17,891 | 19,672 |
| Operating (loss) income | (236) | 99 | (717) | (1,541) |
| Other income (expense), net | 5 | (23) | 31 | (57) |
| (Loss) income before income taxes | (231) | 76 | (686) | (1,598) |
| Provision for income taxes | (3) | (22) | (16) | (26) |
| Net (loss) income | $(234) | $54 | $(702) | $(1,624) |
| Net (loss) income per common share - basic | $(0.00) | $0.00 | $(0.01) | $(0.02) |
| Net (loss) income per common share - diluted | $(0.00) | $0.00 | $(0.01) | $(0.02) |
| Weighted average shares outstanding - basic | 71,202 | 70,876 | 71,043 | 68,537 |
| Weighted average shares outstanding - diluted | 71,202 | 71,373 | 71,043 | 68,537 |

See accompanying notes to unaudited condensed consolidated financial statements.

**NTN BUZZTIME, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

**(In thousands)**

| | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 |
|---|---|---|
| Cash flows provided by (used in) operating activities: | | |
| Net loss | $(702) | $(1,624) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,155 | 2,190 |
| Provision for doubtful accounts | 3 | 101 |
| Stock-based compensation | 87 | 163 |
| Issuance of common stock to consultant in lieu of cash payment | 39 | – |
| Loss from disposition of equipment and capitalized software | 115 | 1 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 73 | (437) |
| Prepaid expenses and other assets | (384) | (200) |
| Accounts payable and accrued expenses | (83) | (34) |
| Income taxes payable | (6) | 32 |
| Deferred costs | 204 | 422 |
| Deferred revenue | (344) | 160 |
| Deferred rent | (88) | 220 |
| Net cash provided by operating activities | 1,069 | 994 |
| Cash flows provided by (used in) investing activities: | | |
| Capital expenditures | (521) | (966) |
| Software development expenditures | (1,222) | (1,061) |
| Acquisitions | – | (50) |
| Changes in restricted cash | – | 50 |
| Net cash used in investing activities | (1,743) | (2,027) |
| Cash flows provided by (used in) financing activities: | | |
| Proceeds from rights offering, net | – | 2,310 |
| Proceeds from notes payable | 290 | – |
| Payments on note payable | (41) | (29) |
| Principal payments on capital lease | (94) | (247) |
| Tax withholding related to net-share settlements of restricted stock units | (10) | (1) |
| Net cash provided by financing activities | 145 | 2,033 |
| Net (decrease) increase in cash and cash equivalents | (529) | 1,000 |
| Effect of exchange rate on cash | (24) | 31 |
| Cash and cash equivalents at beginning of period | 2,721 | 1,374 |
| Cash and cash equivalents at end of period | $2,168 | $2,405 |

| | | |
|---|---|---|
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $15 | $35 |
| Income taxes | $26 | $45 |
| | | |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Equipment acquired under capital lease | $23 | $– |
| Issuance of common stock in lieu of payment of preferred dividends | $8 | $8 |
| Issuance of common stock in connection with acquisition | $1 | $– |

See accompanying notes to unaudited condensed consolidated financial statements.

**NTN BUZZTIME, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

## (1) BASIS OF PRESENTATION

*Description of Business*

NTN Buzztime, Inc. (the "Company") was incorporated in Delaware in 1984 as Alroy Industries and changed its corporate name to NTN Communications, Inc. in 1985. The Company changed its name to NTN Buzztime, Inc. in 2005 to better reflect the growing role of the Buzztime consumer brand.

The Company provides marketing services through interactive game content for hospitality venues that offer the games free to their patrons. The Company has evolved from a content developer and distributor to an interactive entertainment network provider that helps the hospitality venues that subscribe to the Company's network acquire, engage and retain their patrons. The Company primarily generates revenues by charging subscription fees for its service to its network subscribers and from the sale of advertising aired on in-venue screens as well as in conjunction with customized games. The Company's games are currently available in over 3,200 locations in the U.S. and Canada.

*Basis of Accounting Presentation*

The accompanying unaudited interim condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments that are necessary, which are of a normal and recurring nature, for a fair presentation for the periods presented of the financial position, results of operations and cash flows of the Company and its wholly-owned subsidiaries: IWN, Inc., IWN, L.P., Buzztime Entertainment, Inc., NTN Wireless Communications, Inc., NTN Software Solutions, Inc., NTN Canada, Inc., and NTN Buzztime, Ltd., all of which, other than NTN Canada, Inc., are dormant subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2012. The accompanying condensed balance sheet as of December 31, 2012 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2013, or any other period.

The United States dollar is the Company’s functional currency, except for its operations in Canada where the functional currency is the Canadian dollar. The financial position and results of operations of the Company’s foreign subsidiaries are measured using the foreign subsidiary’s local currency as the functional currency. In accordance with ASC No. 830, *Foreign Currency Matters*, revenues and expenses of the Company’s foreign subsidiaries have been translated into U.S. dollars at weighted average exchange rates prevailing during the period. Assets and liabilities have been translated at the rates of exchange on the balance sheet date. The resulting translation gain and loss adjustments are recorded as a separate component of shareholders’ equity, unless there is a sale or complete liquidation of the underlying foreign investments. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. For the three months ended September 30, 2013 and 2012, the Company recorded $8,000 and $13,000 in foreign currency losses, respectively, and for the nine months ended September 30, 2013 and 2012, the Company recorded $7,000 in foreign currency gains and $18,000 in foreign currency losses, respectively. These foreign currency gains and losses were due to settlements of intercompany transactions, re-measurement of intercompany balances with the Company’s Canadian subsidiary and other non-functional currency denominated transactions, which are included in other income (expense), net in the accompanying statements of operations. Exchange rate fluctuations between the United States dollar and Canadian dollar may affect the Company’s results of operations and period-to-period comparisons of its operating results. The Company does not currently engage in hedging or similar transactions to reduce these risks. For the three and nine months ended September 30, 2013, the net impact to the Company’s results of operations from the effect of exchange rate fluctuations was immaterial when compared to the exchange rates for the three and nine months ended September 30, 2012.

**(2) Basic and Diluted Earnings Per Common Share**

The Company computes basic and diluted earnings per common share in accordance with the provisions of ASC No. 260, *Earnings per Share*. Basic earnings per share excludes the dilutive effects of options, warrants and other convertible securities. Diluted earnings per share reflects the potential dilution of securities that could share in our earnings. Total options, warrants, convertible preferred stock and deferred stock units that were excluded from computing diluted net loss per common share represented approximately 7,567,000 and 6,555,000 shares of the Company's common stock for the three months ended September 30, 2013 and 2012, respectively, and 7,567,000 and 7,346,000 shares of the Company's common stock for the nine months ended September 30, 2013 and 2012, respectively, as their effect was anti-dilutive.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Numerator: | | | | |
| Net (loss) income | $(234 ) | $54 | $(702 ) | $(1,624 ) |
| Denominator: | | | | |
| Weighted average common shares outstanding - basic | 71,202 | 70,876 | 71,043 | 68,537 |
| Effects of diluted common share equivalents | – | 497 | – | – |
| Weighted average common shares outstanding - diluted | 71,202 | 71,373 | 71,043 | 68,537 |
| | | | | |
| Net (loss) income per common share - basic | $(0.00 ) | $0.00 | $(0.01 ) | $(0.02 ) |
| Net (loss) income per common share - diluted | $(0.00 ) | $0.00 | $(0.01 ) | $(0.02 ) |

**(3) GOODWILL AND OTHER INTANGIBLE ASSETS**

*Goodwill*

The Company's goodwill balance relates to the purchase of NTN Canada. The Company performed its quarterly qualitative assessment of goodwill impairment for NTN Canada as of September 30, 2013 and determined that there were no indications of impairment.

*Other Intangible Assets*

The Company has other intangible assets comprised predominantly of developed technology, trivia databases, trademarks, and acquired customer relationships. All intangible assets are amortized on a straight line basis. The useful lives of the assets reflect the estimated period of time and method by which the underlying intangible asset benefits will be realized. Amortization expense relating to all intangible assets totaled $104,000 and $93,000 for the three months ended September 30, 2013 and 2012, respectively, and $319,000 and $280,000 for the nine months ended September 30, 2013 and 2012, respectively.

**(4) SOFTWARE DEVELOPMENT COSTS**

The Company capitalizes costs related to the development of certain of its software products in accordance with ASC No. 350, *Intangibles – Goodwill and Other*. Amortization expense relating to capitalized software development costs totaled $198,000 and $162,000 for the three months ended September 30, 2013 and 2012, respectively, and $648,000 and $492,000 for the nine months ended September 30, 2013 and 2012, respectively. As of September 30, 2013 and December 31, 2012, approximately $880,000 and $156,000, respectively, of capitalized software costs were not subject to amortization as the development of various software projects was not complete.

The Company performed its quarterly review of software development projects for the three and nine months ended September 30, 2013, and determined to abandon various software development projects that it concluded were no longer a current strategic fit or for which the Company determined that the marketability of the content had decreased due to obtaining additional information regarding the specific purpose for which the content was intended. As a result, the Company recognized an impairment loss of $23,000 and $115,000 for the three and nine months ended September 30, 2013, which is included in selling, general and administrative expenses. There were no impairment losses recognized for the three and nine months ended September 30, 2012.

**(5) FAIR VALUE OF FINANCIAL INSTRUMENTS**

ASC No. 820, *Fair Value Measurements and Disclosures,* applies to certain assets and liabilities that are being measured and reported on a fair value basis. Broadly, the ASC No. 820 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC No. 820 also establishes a fair value hierarchy for ranking the quality and reliability of the information used to determine fair values. This hierarchy is as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

*Assets and Liabilities that are Measured at Fair Value on a Recurring Basis:*

The Company does not have assets or liabilities that are measured at fair value on a recurring basis.

*Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis:*

Certain assets are measured at fair value on a non-recurring basis and are subject to fair value adjustments only in certain circumstances. Included in this category are goodwill written down to fair value when determined to be impaired, acquired assets and long-lived assets including capitalized software that are written down to fair value when they are held for sale or determined to be impaired. The valuation methods for goodwill, assets and liabilities resulting from acquisitions, and long-lived assets involve assumptions concerning interest and discount rates, growth projections, and/or other assumptions of future business conditions. As all of the assumptions employed to measure these assets and liabilities on a nonrecurring basis are based on management's judgment using internal and external data, these fair value determinations are classified in Level 3 of the valuation hierarchy.

There were no transfers between fair value measurement levels during the three or nine months ended September 30, 2013.

**(6) STOCK-BASED COMPENSATION**

The Company records stock-based compensation in accordance with ASC No. 718*, Compensation – Stock Compensation*. The Company estimates the fair value of stock options using the Black-Scholes option pricing model. The fair value of stock options granted is recognized as expense over the requisite service period. Stock-based compensation expense for all share-based payment awards is recognized using the straight-line single-option method.

The Company uses the historical stock price volatility as an input to value its stock options under ASC No. 718. The expected term of stock options represents the period of time options are expected to be outstanding and is based on observed historical exercise patterns of the Company, which the Company believes are indicative of future exercise behavior. For the risk-free interest rate, the Company uses the observed interest rates appropriate for the term of time options are expected to be outstanding. The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

The following weighted-average assumptions were used for grants issued during the three and nine months ended September 30, 2013 and 2012 under the ASC No. 718 requirements.

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| Weighted-average risk-free rate | 1.00% | 0.49% | 0.60% | 0.54% |
| Weighted-average volatility | 77.61% | 95.08% | 79.58% | 95.33% |
| Dividend yield | 0.00% | 0.00% | 0.00% | 0.00% |
| Expected life | 4.73 years | 5.59 years | 4.81 years | 5.72 years |

ASC No. 718 requires forfeitures to be estimated at the time of grant and revised if necessary in subsequent periods if actual forfeiture rates differ from those estimates. Forfeitures were estimated based on historical activity for the Company. Stock-based compensation expense for the three months ended September 30, 2013 and 2012 was $34,000 and $26,000, respectively, and $87,000 and $163,000 for the nine months ended September 30, 2013 and 2012, respectively, and is expensed in selling, general and administrative expenses and credited to additional paid-in-capital. The Company granted 127,000 and 335,000 stock options during the three months ended September 30, 2013 and 2012, respectively, and 1,255,000 and 445,000 stock options during the nine months ended September 30, 2013 and 2012, respectively.

## (7) NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

*Notes Payable*

In May 2013, the Company entered into a financing agreement with a lender under which the Company may borrow up to $500,000 to purchase certain equipment. In August 2013, the maximum amount the Company may borrow was increased to $1,000,000. The Company may borrow amounts in tranches as needed. Each tranche bears interest at 8.32% and is payable in 36 equal monthly installments. We granted the lender a first security interest in the equipment purchased with the funds borrowed under the agreement. As of September 30, 2013, the Company borrowed approximately $290,000, which is recorded in other current liabilities and other liabilities on the accompanying consolidated balance sheet. As of September 30, 2013, $280,000 remained outstanding.

In July 2011, the Company entered into an equipment financing agreement with a bank in the amount of $123,000, which is recorded in other current liabilities and other liabilities in the accompanying consolidated balance sheet. The amounts borrowed were used to finance certain equipment purchases and other services related to the relocation of the Company’s Carlsbad, California office. The amount borrowed bears interest at 5.85% and is collateralized by a first priority security interest in the equipment purchased. The amount borrowed is payable over a 36 month period in equal payments of $3,705, which includes interest, until fully paid in August 2014. As of September 30, 2013, approximately $40,000 remained outstanding.

*Capital Lease Obligations*

The Company has capital lease obligations, one of which is a $1,000,000 equipment lease facility entered into with an equipment leasing company in October 2009. The terms of this agreement allowed for use of the facility for 24 months and for use of the facility in multiple tranches with each individual tranche having a 24 month term. As of September 30, 2013, the Company had utilized $743,000 of this facility, which has been accounted for as a capital lease. Pursuant to the terms of the agreements related to this facility, the Company has given the equipment leasing company notice of its intent to terminate each individual lease that was reaching the 24 month term as well as its intent to purchase the equipment under the expiring lease at fair market value. As of September 30, 2013, there were no amounts outstanding under this capital lease obligation.

## (8) COMMITMENTS AND CONTINGENCIES

*Sales and Use Tax*

From time to time, state tax authorities will make inquiries as to whether or not a portion of the Company's services require the collection of sales and use taxes from customers in those states. Many states have expanded their interpretation of their sales and use tax statutes to subject more activities to tax. The Company evaluates such inquiries on a case-by-case basis and has favorably resolved the majority of these tax issues in the past without any material adverse consequences.

The Company is involved in ongoing sales tax inquiries with certain states and provinces. As a result of those inquiries, the Company recorded a total net liability of $29,000 and $70,000 as of September 30, 2013 and December 31, 2012, respectively, which is included in the sales taxes payable balance in the accompanying consolidated balance sheets. Based on the guidance set forth by ASC No. 450, *Contingencies,* management has deemed the likelihood as reasonably possible that it will be required to pay all or part of these assessments.

## (9) ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income includes the accumulated gains or losses from foreign currency translation adjustments. The Company translated the assets and liabilities of its Canadian statement of financial position into U.S. dollars using the period end exchange rate. Revenue and expenses were translated using the weighted-average exchange rates for the reporting period. As of September 30, 2013 and December 31, 2012, $701,000 and $768,000 of foreign currency translation adjustments were recorded in accumulated other comprehensive income, respectively.

**(10) RECENT ACCOUNTING PRONOUNCEMENTS**

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, *Income Taxes (Topic 740*). This update improves the reporting for unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The update is expected to reduce diversity in practice by providing guidance on the presentation of unrecognized tax benefits and will better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013, which for the Company is January 1, 2014. The Company does not anticipate that adopting this update will have a material impact on its consolidated financial statements.

In April 2013, the FASB issued ASU No. 2013-07, *Presentation of Financial Statements (Topic 205) - Liquidation Basis of Accounting*. This update addresses the requirements and methods of applying the liquidation basis of accounting and the disclosure requirements within ASC Topic 205 for the purpose of providing consistency among liquidating entities reporting under U.S. GAAP. Generally, this update provides guidance for the preparation of financial statements and disclosures when liquidation is imminent. This update is effective for periods beginning after December 15, 2013, which for the Company is January 1, 2014. The Company does not anticipate that adopting this update will have a material impact on its consolidated financial statements.

In March 2013, FASB issued ASU No. 2013-05, *Foreign Currency Matters.* The amendments in this update resolve the diversity in practice about whether current literature applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, the amendments in this update resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. This update is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013, which for the Company is January 1, 2014. The Company does not anticipate that adopting this update will have a material impact on its consolidated financial statements.

**(11) CONCENTRATIONS OF RISK**

*Significant Customer*

Buffalo Wild Wings, Inc. together with its franchisees is a significant customer of the Company. For the three months ended September 30, 2013 and 2012, approximately 28% and 22%, respectively, of the Company's total revenue was generated from this national chain. For the nine months ended September 30, 2013 and 2012, approximately 28% and 23%, respectively, of the Company’s total revenue was generated from this national chain. As of September 30, 2013 and December 31, 2012, approximately $99,000 and $123,000, respectively, owed by this national chain was included in accounts receivable.

*Equipment Suppliers*

The Company currently purchases its Classic playmakers from an unaffiliated manufacturer located in Taiwan pursuant to a supply agreement, the term of which automatically renews for one year periods. The Company currently purchases the tablets used in its Buzztime On Demand, or BEOND, product line (formerly referred to as “Next-Gen”) from unaffiliated third parties, and it currently purchases equipment (consisting of cases and charging trays for the tablet playmaker) from an unaffiliated manufacturer located in China. The Company currently does not have alternative sources for its Classic playmakers or its tablet playmaker equipment or an alternative manufacturer of the tablet or an alternative device to the tablet. Management believes other manufacturers could be identified to produce its tablet playmaker equipment on comparable terms, and the Company could redesign or reconfigure its BEOND product line to accommodate a substitute tablet. A change in manufacturers, however, could cause delays in supply and may have an adverse effect on the Company’s operations.

As of September 30, 2013, there were no amounts due to any equipment suppliers. As of December 31, 2012, approximately $15,000 was included in accounts payable or accrued expenses for equipment suppliers.

**(12) GEOGRAPHICAL INFORMATION**

Geographic breakdown of the Company's revenue for the three and nine months ended September 30, 2013 and 2012 is as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| United States | $5,216,000 | $5,678,000 | $16,200,000 | $16,993,000 |
| Canada | 310,000 | 372,000 | 974,000 | 1,138,000 |
| Total revenue | $5,526,000 | $6,050,000 | $17,174,000 | $18,131,000 |

Geographic breakdown of the Company's long-term tangible assets as of September 30, 2013 and December 31, 2012 is as follows:

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| United States | $3,214,000 | $3,767,000 |
| Canada | 13,000 | 16,000 |
| Total assets | $3,227,000 | $3,783,000 |

**(13) RIGHTS OFFERING**

In February 2012, the Company completed a rights offering to its stockholders of record as of February 2, 2012. The Company issued a total of 2,070,719 shares of its common stock at a subscription price of $0.25 per share. In connection with the rights offering, the Company entered into an investment agreement with Matador Capital Partners, LP, or Matador. Mr. Jeffrey A. Berg, one of the Company's directors and its Interim Chief Executive Officer, is the managing member of the general partner of Matador. Under the terms of the investment agreement, upon expiration of the rights offering, Matador purchased for $0.25 per share 8,000,000 shares of the Company's common stock not subscribed for and purchased by holders upon exercise of their subscription rights. The Company received gross proceeds of $2.5 million from the rights offering and under the investment agreement.

**(14) CAPITAL STOCK**

At the Company's 2013 annual meeting of stockholders held on June 7, 2013, the Company's stockholders approved an amendment to the Company's restated certificate of incorporation to increase the number of total authorized shares from 94,000,000 to 178,000,000 and to increase the number of authorized shares of common stock from 84,000,000 to 168,000,000. The Company filed a certificate of amendment of the restated certificate of incorporation of the Company with the Delaware Secretary of State on June 11, 2013 to effect such amendment and it was effective on that same date.

**(15) SUBSEQUENT EVENT**

On November 12, 2013, the Company completed a private placement of units (consisting of shares of common stock and warrants to purchase shares of common stock) to accredited investors. The purchase price of each unit was $0.40 for gross proceeds of $2,400,000. In the aggregate, the Company issued 6,000,000 shares of common stock and warrants to purchase 3,600,000 shares. The warrants have an exercise price of $0.40 per share and are exercisable beginning on the six-month anniversary of the issuance date and expire on the five-year anniversary of the issuance date.

Pursuant to the registration rights agreement entered into in connection with the private placement, the Company will file a registration statement with the Securities and Exchange Commission under the Securities Act of 1933 to register for resale by the investors the shares of common stock, and the shares of common stock issuable upon exercise of the warrants, sold to the investors in the private placement.

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

*CAUTION CONCERNING FORWARD-LOOKING STATEMENTS*

*This Quarterly Report on Form 10-Q (including, but not limited to, the following discussion of our financial condition and results of operations) and the documents incorporated herein by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements reflect future events, results, performance, prospects and opportunities, including statements related to our strategic plans and targets, revenue generation, product availability and offerings, reduction in cash usage, reliance on cash on hand and cash from operations, capital needs, capital expenditures, industry trends and financial position of NTN Buzztime, Inc. and its subsidiaries ("we," "us," or the "Company"). Forward-looking statements are based on information currently available to us and our current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of management. Words such as "expects," "anticipates," "could," "targets," "projects," "intends," "plans," "believes," "seeks," "estimates," "may," "will," "would," variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements which refer to projections of our future financial performance, our anticipated growth and trends in our business, and other characterizations of future events or circumstances, are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that may be difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, under the section entitled "Risk Factors," and in other reports we file with the Securities and Exchange Commission from time to time. Readers are urged not to place undue reliance on the forward-looking statements contained in this report or incorporated by reference herein, which speak only as of the date of this report. Except as required by law, we do not undertake any obligation to revise or update any such forward-looking statement to reflect future events or circumstances.*

*You should read the following discussion of our financial condition and results of operations in conjunction with the consolidated financial statements and the notes to those statements included elsewhere in this report.*

*Our trademarks, trade names and service marks referenced herein include Buzztime, iTV Network, Playmaker and Stump! Trivia. Each other trademark, trade name or service mark appearing in this quarterly report belongs to its owner.*

**OVERVIEW**

We provide marketing services through interactive game content for hospitality venues that offer the games free to their patrons. We have evolved from a content developer and distributor to an interactive entertainment network provider that helps the hospitality venues that subscribe to our network acquire, engage and retain their patrons. Our mission is to entertain consumers in ways that create long term value for our customers. Built on an extended network platform, our entertainment system has historically allowed multiple players to interact at the venue, but it also enables competition between different venues, referred to as massively multiplayer gaming. We continue to develop a new network architecture, technology platform and player engagement paradigm, which we currently refer to as our Buzztime On Demand product line, or BEOND.

We primarily generate revenues by charging subscription fees for our service to our network subscribers and from the sale of advertising aired on in-venue screens as well as in conjunction with customized games. Our games are currently available in over 3,200 locations in the U.S. and Canada, where they are shown on approximately 10,000-15,000 screens daily. Approximately 40% of our network subscriber venues are related to national and regional restaurants and include Buffalo Wild Wings, Beef O'Brady's, Old Chicago, T.G.I. Friday's, Boston Pizza, Black Angus, Hooters and Native New Yorker.

In December 2012, we acquired substantially all of the assets of Interactive Hospitality. We also hired its founder, Barry Chandler, as our Chief Marketing Officer. Interactive Hospitality's digital media business specializes in creating digital marketing strategies for the hospitality industry. The business assists clients in attracting, engaging and retaining customers through the strategic use of social media. In addition to one-on-one digital strategies that Interactive Hospitality provides its national, regional and local clients, the industry- specific blog, TheBarBlogger.com, is a source for strategies available to independent bars and restaurants. In addition, Interactive Hospitality's proprietary subscription based management toolkit, ManageYourBar.com, has been used by more than 1,500 bars and restaurants in the U.S. since its launch in 2009.

**CRITICAL ACCOUNTING POLICIES**

The discussion and analysis of our financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to deferred costs and revenues, depreciation of broadcast equipment, the provision for income taxes including the valuation allowance, stock-based compensation, bad debts, investments, purchase price allocations related to acquisitions, including any earnout liability, impairment of software development costs, goodwill, broadcast equipment, intangible assets and contingencies, including the reserve for sales tax inquiries. We base our estimates on historical experience and on various other 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 differ from these estimates under different assumptions or conditions. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and results and require management’s most subjective judgments.

There have been no material changes in our critical accounting policies, estimates and judgments during the three and nine months ended September 30, 2013 from those described in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our Annual Report on Form 10-K for the year ended December 31, 2012.

**RESULTS OF OPERATIONS**

***Three months ended September 30, 2013 compared to the three months ended September 30, 2012***

We generated a net loss of $234,000 for the three months ended September 30, 2013 compared to net income of $54,000 for the three months ended September 30, 2012.

*Revenue*

Revenue decreased $524,000, or 9%, to $5,526,000 for the three months ended September 30, 2013 from $6,050,000 for the three months ended September 30, 2012 primarily due to lower average site count of our Network Subscribers, offset by a slightly higher average revenue per unit. Comparative Network Subscriber information for the Buzztime

Network is as follows:

| | Network Subscribers as of September 30, 2013 | 2012 |
|---|---|---|
| | 2013 | 2012 |
| United States | 3,026 | 3,511 |
| Canada | 194 | 228 |
| Total | 3,220 | 3,739 |

*Direct Operating Costs and Gross Margin*

The following table compares direct operating costs and gross margin for the three months ended September 30, 2013 and 2012:

| | For the three months ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| Revenues | $5,526,000 | $6,050,000 |
| Direct Operating Costs | 1,532,000 | 1,519,000 |
| Gross Margin | $3,994,000 | $4,531,000 |
| | | |
| Gross Margin Percentage | 72% | 75% |

Gross margin as a percentage of revenue decreased to 72% for the three months ended September 30, 2013 from 75% for the three months ended September 30, 2012. Direct operating costs increased slightly by $13,000, or 1%, to $1,532,000 for the three months ended September 30, 2013 from $1,519,000 for the three months ended September 30, 2012. The increase in direct operating costs was primarily due to increased equipment expense of $74,000 and increased license fees of $39,000 related to content. These increases were offset by decreased service provider fees of $60,000 due to fewer installations of new Network Subscribers compared to the prior period and decreased depreciation and amortization expense of $47,000 due to assets depreciating faster than replenishment of new assets.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased $204,000, or 5%, to $4,053,000 for the three months ended September 30, 2013 from $4,257,000 for the same period in 2012. The decrease was due to decreased service fees of $82,000 primarily due to no longer using a third party to operate our warehouse, decreased software and hardware supplies expense of $81,000 primarily due less software maintenance fees, decreased bad debt expense of $70,000, decreased research and development expenses of $45,000, decreased membership fees of $39,000 related to a non-renewal of an industry association membership, decreased marketing expenses of $28,000 and decreased other net miscellaneous expenses of $6,000. These decreases were offset by increased payroll and related expenses of $121,000 due to increased headcount and increased consulting and legal fees of $26,000.

*Depreciation and Amortization Expense*

Depreciation and amortization expense (excluding depreciation and amortization included in direct operating costs) increased slightly by $2,000, or 1%, to $177,000 for the three months ended September 30, 2013 from $175,000 for the same period in 2012, primarily due to amortization of assets acquired in the fourth quarter of 2012, offset by other assets becoming fully depreciated.

*Other Income (Expense), Net*

Other income (expense), net, changed from $23,000 of other net expense for the three months ended September 30, 2012 to $5,000 of other net income for the same period in 2013. This change was primarily due to increased income recognized from a sublease, decreased interest expense due to lower capital lease balances outstanding and decreased foreign currency exchange losses related to the operations of our Canadian subsidiary.

*Income Taxes*

We expect to incur state income tax liability in 2013 related to our U.S. operations. We also expect to pay income taxes in Canada due to profitability of our Canadian subsidiary. For the three months ended September 30, 2013 and 2012, we recorded a tax provision of $3,000 and $16,000, respectively. We have established a full valuation allowance for substantially all deferred tax assets, including our net operating loss carryforwards, since we could not conclude that we were more likely than not able to generate future taxable income to realize these assets.

*EBITDA*

Earnings before interest, taxes, depreciation and amortization, or EBITDA, is not intended to represent a measure of performance in accordance with GAAP, nor should EBITDA be considered as an alternative to statements of cash flows as a measure of liquidity. EBITDA is included herein because we believe it is a measure of operating performance that financial analysts, lenders, investors and other interested parties find to be a useful tool for analyzing companies like us that carry significant levels of non-cash depreciation and amortization charges in comparison to their net income or loss calculation in accordance with GAAP.

The following table reconciles our consolidated net loss calculated in accordance with GAAP to EBITDA for the three months ended September 30, 2013 and 2012. EBITDA should not be considered as substitutes for, or superior to, net loss calculated in accordance with GAAP.

| | For the three months ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| Net (loss) income per GAAP | $(234,000) | $54,000 |
| Interest expense, net | 4,000 | 10,000 |
| Income taxes | 3,000 | 22,000 |
| Depreciation and amortization | 672,000 | 717,000 |
| EBITDA | $445,000 | $803,000 |

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***Nine months ended September 30, 2013 compared to the nine months ended September 30, 2012***

We generated a net loss of $702,000 for the nine months ended September 30, 2013 compared to a net loss of $1,624,000 for the nine months ended September 30, 2012.

*Revenue*

Revenue decreased $957,000, or 5%, to $17,174,000 for the nine months ended September 30, 2013 from $18,131,000 for the nine months ended September 30, 2012, primarily due to lower average site count of our Network Subscribers, offset by a slightly higher average revenue per unit and increased advertising revenue.

*Direct Operating Costs and Gross Margin*

The following table compares direct operating costs and gross margin for the nine months ended September 30, 2013 and 2012:

| | For the nine months ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| Revenues | $17,174,000 | $18,131,000 |
| Direct Operating Costs | 5,017,000 | 4,690,000 |
| Gross Margin | $12,157,000 | $13,441,000 |
| | | |
| Gross Margin Percentage | 71% | 74% |

Gross margin as a percentage of revenue decreased to 71% for the nine months ended September 30, 2013 from 74% for the nine months ended September 30, 2012. Direct operating costs increased $327,000, or 7%, to $5,017,000 for the nine months ended September 30, 2013 from $4,690,000 for the nine months ended September 30, 2012. The increase in direct operating costs was primarily due to increased equipment expenses of $371,000, increased license fees of $92,000 related primarily to content and increased freight of $50,000, offset by decreased service provider fees of $140,000 due to fewer installations and technical service calls and decreased direct payroll compensation of $56,000 primarily due to reduced wages.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses decreased $2,124,000, or 15%, to $12,318,000 for the nine months ended September 30, 2013 from $14,442,000 for the same period in 2012. The decrease was due to decreased payroll and related expense of $1,566,000 primarily due to decreased headcount and incentive compensation, decreased marketing expenses of $341,000, decreased travel expense of $263,000, decreased service fees of $135,000 primarily due to no longer using a third party to operate our warehouse, decreased bad debt expense of $97,000, decreased membership fees of $57,000 related to the non-renewal of an industry association membership, and decreased net miscellaneous expenses of $69,000. These decreases were offset by increased consulting fees of $404,000 for software development and other corporate initiatives.

*Depreciation and Amortization Expense*

Depreciation and amortization expense (excluding depreciation and amortization included in direct operating costs) increased $16,000, or 3%, to $556,000 for the nine months ended September 30, 2013 from $540,000 for the same period in 2012, primarily due to increased amortization expense of $83,000 related to acquired assets, offset by decreased expense of $67,000 due to other assets becoming fully depreciated.

*Other Income (Expense), Net*

Other income (expense), net, changed from $57,000 of other net expense for the nine months ended September 30, 2012 to $31,000 of other net income for the same period in 2013. This change was primarily due to increased income recognized from a sublease and sale of certain hardware, decreased interest expense due to lower capital lease balances, and increased foreign currency exchange gains related to the operations of our Canadian subsidiary.

*Income Taxes*

For the nine months ended September 30, 2013 and 2012, we recorded a net tax provision of $16,000 and $26,000, respectively.

*EBITDA*

EBITDA is not intended to represent a measure of performance in accordance with GAAP, nor should EBITDA be considered as an alternative to statements of cash flows as a measure of liquidity. EBITDA is included herein because we believe it is a measure of operating performance that financial analysts, lenders, investors and other interested parties find to be a useful tool for analyzing companies like us that carry significant levels of non-cash depreciation and amortization charges in comparison to their GAAP earnings or loss.

The following table reconciles our consolidated net loss per GAAP to EBITDA for the nine months ended September 30, 2013 and 2012.

| | For the nine months ended September 30, | |
|---|---|---|
| | 2013 | 2012 |
| Net loss per GAAP | $(702,000) | $(1,624,000) |
| Interest expense, net | 16,000 | 34,000 |
| Income taxes | 16,000 | 26,000 |
| Depreciation and amortization | 2,155,000 | 2,190,000 |
| EBITDA | $1,485,000 | $626,000 |

**LIQUIDITY AND CAPITAL RESOURCES**

As of September 30, 2013, we had cash and cash equivalents of $2,168,000 compared to cash and cash equivalents of $2,721,000 as of December 31, 2012.

On November 12, 2013, we completed a private placement of units (consisting of shares of common stock and warrants to purchase shares of common stock) to accredited investors. The purchase price of each unit was $0.40 for gross proceeds of $2,400,000. In the aggregate, we issued 6,000,000 shares of common stock and warrants to purchase 3,600,000 shares. The warrants have an exercise price of $0.40 per share and are exercisable beginning on the six-month anniversary of the issuance date and expire on the five-year anniversary of the issuance date.

In February 2012, we completed a stockholders rights offering to our stockholders of record as of February 2, 2012. We issued a total of 2,070,719 shares of our common stock at a subscription price of $0.25 per share. In connection with the rights offering, we entered into an investment agreement with Matador Capital Partners, LP, or Matador. Mr. Jeffrey A. Berg, one of our directors and also now our Interim Chief Executive Officer, is the managing member of the general partner of Matador. Under the terms of the investment agreement, upon expiration of the rights offering, Matador purchased for $0.25 per share 8,000,000 shares of our common stock not subscribed for and purchased by holders upon exercise of their subscription rights. We received gross proceeds of $2.5 million from the rights offering and under the investment agreement.

We believe existing cash and cash equivalents, funds generated from operations and the proceeds received from the private placement completed in November 2013 will be sufficient to meet our operating cash requirements for at least the next twelve months. We have no debt other than capital leases with aggregate outstanding balances of approximately $89,000 and notes payable with outstanding balances of approximately $320,000 for certain equipment purchases. We intend to continue entering into capital lease or financing facilities for certain equipment requirements when economically advantageous. In order to execute our operating and strategic plan and to position the Company to better take advantage of market opportunities and opportunities for growth, we are evaluating additional financing alternatives, including raising additional capital through public or private equity or debt financing. If net cash provided by operating activities and our cash and cash equivalents on hand are not sufficient to meet future cash requirements, we may be required to reduce planned capital expenses, reduce operational cash uses, sell assets or seek financing. Any actions we may undertake to reduce planned capital purchases, reduce expenses, or generate proceeds from the sale of assets may be insufficient to cover shortfalls in available funds. If we require additional capital, we may be unable to secure additional financing on terms that are acceptable to us, or at all.

*Working Capital*

As of September 30, 2013, we had working capital (current assets in excess of current liabilities) of $988,000 compared to working capital of $841,000 as of December 31, 2012. The following table shows the change in our working capital from December 31, 2012 to September 30, 2013.

| | Increase (Decrease) |
|---|---|
| Working capital as of December 31, 2012 | $ 841,000 |
| Changes in current assets: | |
| Cash and cash equivalents | (553,000) |
| Accounts receivable, net of allowance | (77,000) |
| Prepaid expenses and other current assets | 294,000 |
| Total current assets | (336,000) |
| Changes in current liabilities: | |
| Accounts payable and accrued expenses | (92,000) |
| Accrued compensation | 215,000 |
| Sales taxes payable | (56,000) |
| Income taxes payable | (8,000) |
| Obligations under capital lease | (75,000) |
| Deferred revenue | (404,000) |
| Other current liabilities | (63,000) |
| Total current liabilities | (483,000) |
| Net change in working capital | 147,000 |
| Working capital as of September 30, 2013 | $ 988,000 |

*Cash Flows*

Cash flows from operating, investing and financing activities, as reflected in the accompanying consolidated statements of cash flows, are summarized as follows:

| | For the nine months ended September 30, 2013 | 2012 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities | $ 1,069,000 | $ 994,000 |
| Investing activities | (1,743,000) | (2,027,000) |
| Financing activities | 145,000 | 2,033,000 |
| Effect of exchange rates | (24,000) | 31,000 |

| | | |
|---|---|---|
| Net (decrease) increase in cash and cash equivalents | $(553,000) | $1,031,000 |

*Net cash provided by operating activities.* We primarily depend on cash flows from operations to meet our cash requirements. Net cash generated from operating activities was $1,069,000 for the nine months ended September 30, 2013 compared to $994,000 for the same period in 2012. The $75,000 increase in cash provided by operations was primarily due to a decrease in net loss of $866,000, after giving effect to adjustments made for non-cash transactions, offset by an increase in cash used in operating assets and liabilities of $791,000 during the nine months ended September 30, 2013 compared to the same period in 2012.

Our largest use of cash is payroll and related costs. Cash used for payroll and related costs decreased $1,300,000 to $7,348,000 for the nine months ended September 30, 2013 from $8,648,000 during the same period in 2012, primarily due to decreased headcount and incentive compensation.

Our primary source of cash is cash we generate from customers. Cash received from customers decreased $903,000 to $17,481,000 for the nine months ended September 30, 2013 from $18,384,000 during the same period in 2012, primarily due to a decrease in the number of Network Subscribers.

*Net cash used in investing activities.* We used $1,743,000 in cash for investing activities for the nine months ended September 30, 2013 compared to a use of $2,027,000 during the same period in 2012. The $284,000 decrease was primarily due to a decrease in capital expenditures of $445,000 primarily due to decreased field equipment purchases, offset by an increase in capitalized software development activities of $161,000.

*Net cash provided by financing activities.* Net cash provided by financing activities decreased $1,888,000 to $145,000 for the nine months ended September 30, 2013 compared to $2,033,000 for the same period in 2012. The change is primarily attributable to the fact that during the prior year period, we received $2,310,000 of net proceeds from the rights offering and related investment agreement and there was no similar financing activity in the current year period. To a lesser extent, the change is attributable to increased tax withholdings of $9,000 related to net-share settlements of restricted stock units and increased payments on notes payable of $12,000, offset by proceeds received from notes payable of $290,000 and decreased payments on our capital leases of $153,000.

**RECENT ACCOUNTING PRONOUNCEMENTS**

Refer to Note 10 of the condensed consolidated financial statements, “Recent Accounting Pronouncements.”

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk*.**

Under SEC rules and regulations, as a smaller reporting company we are not required to provide the information otherwise required by this item.

**Item 4. *Controls and Procedures*.**

*Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this report, our management evaluated our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, or the Exchange Act) as to whether such disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and ensuring that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on our evaluation, our interim chief executive officer and chief financial officer concluded that such disclosure controls and procedures were effective as of the end of the period covered by this report.

*Changes in Internal Control Over Financial Reporting*

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II — OTHER INFORMATION

**Item 1.** ***Legal Proceedings.***

None

**Item 1A.** ***Risk Factors.***

An investment in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described under Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2012 together with all other information contained or incorporated by reference in this report before you decide to invest in our common stock. If any of the risks described in our annual report occur, our business, financial condition, results of operations and our future growth prospects could be materially and adversely affected. Under these circumstances, the trading price of our common stock could decline, and you may lose all or part of your investment. As of the date of this report, we do not believe that there have been any material changes to the risk factors previously disclosed in our annual report.

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

None

**Item 3.** ***Defaults Upon Senior Securities.***

None

**Item 4.** ***Mine Safety Disclosures.***

Not Applicable

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

None

**Item 6.** ***Exhibits.***

| Exhibit | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation (1) |
| 3.2 | Certificate of Elimination of the Series B Convertible Preferred Stock (1) |
| 3.3 | Bylaws, as amended (2) |
| 10.1†* | Fourth Amendment to Consulting Agreement, dated September 27, 2013, by and between NTN Buzztime, Inc. and JABAM, Inc. |
| 31.1† | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2† | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1†# | Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2†# | Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS** | XBRL Instance Document |
| 101.SCH** | XBRL Taxonomy Extension Schema Document |
| 101.CAL** | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF** | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB** | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE** | XBRL Taxonomy Extension Presentation Linkbase Document |

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† Filed or furnished herewith
* Management contract or compensatory plan.
\# These exhibits are being furnished solely to accompany this report pursuant to U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated herein by reference into any filing of the Company whether made before or after the date hereof, regardless of any

general incorporation language in such filing.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

(1) Previously filed as an exhibit to the registrant's report on Form 10-Q filed on August 14, 2013 and incorporated herein by reference.

(2) Previously filed as an exhibit to the registrant's report on Form 10-K for the fiscal year ended December 31, 2007 and incorporated herein by reference.

**SIGNATURES**

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

| | |
|---|---|
| | NTN BUZZTIME, INC. |
| Date: November 14, 2013 | By: /s/ Kendra Berger |
| | Kendra Berger<br>Chief Financial Officer<br>(on behalf of the Registrant, and as its Principal Financial and Accounting Officer) |

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