

Function(x) Inc.
Form 424B4
February 27, 2017

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Registration No. 333-215188

PROSPECTUS

February 23, 2017

4,571,428 Shares Common Stock

This is a firm commitment public offering of 4,571,428 shares of our common stock at an offering price of \$1.05 per share. We are also offering warrants to the underwriters to purchase up to an additional 114,286 shares of our common stock.

We currently have an effective registration statement on Form S-1 (File No. 333-213084) pursuant to which the selling stock holders named therein may sell their common stock.

Our common stock is traded on the NASDAQ Capital Market under the symbol FNCX. On February 17, 2017, the closing price of our common stock was \$1.90 per share. Our auditors have included a disclosure paragraph in their opinion regarding their uncertainty of our ability to continue as a going concern as of June 30, 2016.

Investing in our common stock involves a high degree of risk. Please read Risk Factors beginning on page 8 of this prospectus.

You should rely only on the information contained in this prospectus or any prospectus supplement or amendment thereto. We have not authorized anyone to provide you with different information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ 1.05	\$ 4,800,000
Underwriting discounts and commissions ⁽¹⁾	\$ 0.0735	\$ 336,000

Does not include a non-accountable expense allowance equal to 1% of the gross proceeds of this offering payable (1) to Aegis Capital Corp., the representative of the underwriters. See Underwriting for a description of the compensation payable to the underwriters.

We have granted a 45-day option to the representative of the underwriters to purchase up to 685,714 additional shares of common stock solely to cover over-allotments, if any.

The underwriters expect to deliver our shares to purchasers in the offering on or about February 28, 2017.

Joint Book-Running Managers

Aegis Capital Corp

Laidlaw & Company (UK) Ltd.

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About This Prospectus

You should rely only on the information that we have provided or incorporated by reference in this prospectus, any applicable prospectus supplement and any related free writing prospectus that we may authorize to be provided to you. We have not authorized anyone to provide you with different information. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus, any applicable prospectus supplement or any related free writing prospectus that we may authorize to be provided to you. You must not rely on any unauthorized information or representation. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information in this prospectus, any applicable prospectus supplement or any related free writing prospectus is accurate only as of the date on the front of the document, regardless of the time of delivery of this prospectus, any applicable prospectus supplement or any related free writing prospectus, or any sale of a security.

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Copies of some of the documents referred to herein have been filed, will be filed or will be incorporated by reference as exhibits to the registration statement of which this prospectus is a part, and you may obtain copies of those documents as described below under the heading **Where You Can Find Additional Information**.

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PROSPECTUS SUMMARY

This summary does not contain all of the information that should be considered before investing in our common stock. Investors should read the entire prospectus carefully, including the more detailed information regarding our business, the risks of purchasing our common stock discussed in this prospectus under Risk Factors beginning on page 8 of this prospectus and our financial statements and the accompanying notes beginning on page F-8 of this prospectus. As used in this prospectus, unless the context requires otherwise, the Company, we, us, and our refer to Function(x) Inc., a Delaware corporation.

Our Company

Function(x) Inc. (the Company) was incorporated in Delaware in July 1994. We conduct business through our three operating segments, including digital publishing through Wetpaint.com (Wetpaint) and Rant Inc. (Rant), fantasy sports gaming through DraftDay Gaming Group, Inc. (DDGG), and digital content distribution through Choose Digital, Inc. (Choose Digital).

We are a social publishing and interactive media platform, focused on creating a uniquely differentiated user experience across various content verticals using multiple types of media for ultimate user engagement.

We aspire to become the #1 interactive media platform by leveraging and building on our existing platform and current user base. Our three pronged strategy includes, (a) to further develop our platform connecting content owners with their audience through live or on-demand video channels, (b) to enhance our comprehensive built-in monetization model for content contributors and distribution partners, and (c) to focus on building a technology driven ultimate user engagement platform supporting video, blogs, mobile, social, e-commerce and analytics. We intend to grow our business organically by integrating our recently acquired businesses and by pursuing acquisitions of assets or businesses that would enhance our presence as a media platform.

Our immediate objective is to successfully integrate Wetpaint and Rant assets and lay the foundation and refine processes that can serve as a blueprint for future acquisitions and growth. As part of the integration process we plan to develop a solid and predictable revenue model for our social publishing business aiming for profitability in near-term, implement scalable but lean operational processes and staffing within product development and ad revenue divisions and finalize a long-term plan that embraces product innovation with the sole purpose of defining us as the leading player in interactive media publishing with a focus on video, social, mobile, e-commerce and predictive analytics.

Key Milestones:

New Management Team: Implementation of a new and experienced Management Team, each of whom have had professional relationships with Robert F.X. Sillerman, our Chairman and Chief Executive Officer;

Deleveraging the balance sheet: Affiliates of Robert F.X. Sillerman, our Chairman and Chief Executive Officer, own a majority of our common stock and held substantial debt in the Company, substantially all of which has been converted into Preferred Equity. These affiliates have committed to converting approximately \$36,500,000 in preferred equity into shares of our common stock;

Defined key performance metrics: These are being tracked and analyzed on a daily basis via automated reporting and analytics; and

Key foundation for our future growth has been established: This includes a rationalized headcount from which the business can be brought to scale, disciplined financial controls and an improved expense model, revamped technology platform and acquisition team intended to drive incremental growth.

Digital Publishing

Our digital publishing businesses include Wetpaint and Rant. The combined properties currently have approximately 13.1 million fans on their Facebook pages and, for the quarter ended December 31, 2016, generated an average of 16.2 million visits per month.

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Wetpaint is a leading entertainment news destination for millennial women. Covering the latest in television, music, celebrities, entertainment news, fashion, and pop culture, Wetpaint reaches millions of unique users on a monthly basis. Through Wetpaint, we publish more than 55 new articles, videos, and galleries each day. Wetpaint is a social publisher whose target audience is millennial women, primarily 18- to 34-year-old women. With social packaging around original entertainment news content, we showcase exclusive interviews, breaking stories, and our fangirl spin on pop culture. We generate content through our team of in-house professional writers and editors who are experts in their fields. They seek to deliver content to our readers in a fun, visual and informative way and to ensure that our fans are up to date on all the latest entertainment news and gossip.

We acquired assets of Rant, a leading digital publisher that publishes original content in 13 different verticals, most notably in sports, entertainment, pets, cars, and food. Adweek published that Rant's flagship RantSports.com property was ranked #1 by Quantcast for target digital ad buying for the 2015 holiday season, indicating the power of reaching a targeted audience. Known for the well-established brand RantSports, Rant has since expanded its reach towards the areas of lifestyle, fitness, exercise, entertainment, technology, and celebrities. Rant was named both #18 overall on Inc 500's Fastest Growing Companies #1 in Media and #31 on Forbes Most Promising Companies of 2015. Rant's platform is designed for desktop and mobile content at the billions-of-pageviews per year level. Because of its low cost of operation, the coupling of the Rant platform and our Social Distribution System (SDS) technology creates powerful tools in digital content publishing. Recently we have focused our efforts on growing Wetpaint user engagement and monetization. We anticipate applying the same methodology in the near future to the Rant sites to continue to grow and strengthen our publishing business.

Our digital publishing businesses are very focused on knowing their audience. This is made possible through our proprietary SDS platform. This complete audience-development engine optimizes the packaging and distribution of content, getting it to the right audience at the right place at the right time, primarily through social media. The technology is designed to generate fans on our pages on Facebook and other social media outlets. Our content is then displayed in the fans' feeds on Facebook and other social media sites, which can then drive traffic to our websites. Our technology contains a test and measurement system that delivers real-time audience insights, and provides optimized distribution by audience. Because we use this proprietary technology, a significant amount of our website traffic is generated through social media channels, particularly Facebook. Facebook and other social media outlets routinely update their algorithms to adjust what content is displayed in users' feeds. The test and measurement feature of our technology help us to stay current in maximizing website traffic from social media channels as these algorithms change. We have seven issued patents related to the SDS technology.

Our digital publishing businesses generate revenue by displaying advertisements to our users as they view content on our websites. We source ads by working directly with advertisers, or their advertising agencies, and by working through several third party ad networks who are all bidding against each other for our advertising inventory in real time. Advertisements are typically priced as a base price per thousand views, also known as Cost-Per-Mille (CPM), but can also be priced as a base price per click, also known as Cost-Per-Click (CPC), or as a base price per intended action, also known as Cost-Per-Action (CPA). The vast majority of our revenues are derived from ads sourced from third party ad networks.

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The table below shows our Digital Publishing revenue increase from approximately \$70,000 in July 2016 to approximately \$380,000 in December 2016. You should not view the increase in Digital Publishing revenue as indicative of our full financial results for the period ended December 31, 2016, or as indicative of the results of our digital publishing segment for the period ended December 31, 2016. Historically, we have generated losses from our operations, and have generated net losses in our digital publishing segment of approximately \$45,982,000 through December 31, 2016.

The table below shows the increase in our Digital Publishing pageviews from just under 20,000,000 in July 2016 to approximately 80,000,000 in December 2016. Pageviews and visits are measured by our third party Google Analytics platform. A pageview is an instance of a page being loaded (or reloaded) in a browser. A visit is a group of interactions that take place on our web properties within a given time frame and can include multiple pageviews.

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The table below shows the net loss by month for our Digital Publishing segment from July 2016 to December 2016.

DraftDay.com

DDGG operates a daily fantasy sports website at DraftDay.com, and other white-label websites on behalf of its business-to-business clients. The DraftDay business is focused on the business-to-business market allowing consumer brands entry into the fantasy sports market with turnkey solutions in the United States and Canada. By using DDGG's white-label solution, a business can offer a fantasy sports product to its customers without incurring the ongoing technology costs and other capital expenditures. By focusing on offering white-label solutions to businesses, DDGG's strategy is to build a network of players through the established databases of DDGG's participating clients. This model is strategically focused to minimize costs of user acquisition. In addition, the aggregated network of users across DDGG's clients' databases creates larger prize pools to generate higher player engagement and retention. DDGG continues to develop its business plan by focusing on the regulated market of casinos as well as the entertainment and sports industries.

Choose Digital

Choose Digital is a white-label digital marketplace featuring a recent and wide range of digital content, including music, eBooks and audiobooks. Choose Digital's technology and expertise provides the ability for client companies and organizations to quickly add digital media items to their loyalty reward programs. The marketplace can be fully branded and integrated seamlessly into clients' current online environments. Choose Digital generates revenues when participants in Choose Digital's clients' loyalty programs redeem loyalty credits for digital content provided by Choose Digital. For example, if a participant in a loyalty program redeems credits for a song download provided by Choose Digital, the client loyalty program pays Choose Digital for the download. We are currently restructuring this line of business.

Intellectual Property

Our digital publishing, gaming and digital content distribution businesses are enabled by multiple technology platforms primarily developed internally including proprietary and patented software.

We protect our technology through seeking intellectual property registration and filings. We register certain domain names, trademarks and service marks in the United States and in certain locations outside the

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United States. Circumstances outside of our control could pose a threat to our intellectual property rights. Effective intellectual property protection may not be available in the United States or other countries in which we provide our solution. In addition, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective. Any impairment of our intellectual property rights could harm our business, our ability to compete and our operating results.

Viggle Rewards Business Discontinued Operations

Viggle is a mobile and web-based entertainment marketing platform that uses incentives to make content consumption and discovery more rewarding for media companies, brands and consumers.

Private Placement

On July 12, 2016, we closed a private placement (the *Private Placement*) of \$4,444,446 principal amount of convertible debentures (the *Debentures*) and common stock purchase warrants (the *Warrants*). The Debentures and Warrants were issued pursuant to a Securities Purchase Agreement, dated July 12, 2016 (the *Purchase Agreement*), by and among us and certain accredited investors within the meaning of the Securities Act of 1933, as amended (the *Purchasers*). We are currently in default under the Debentures for failure to make amortization payments and to maintain a minimum cash reserve.

As of the date of this prospectus, we have approximately \$2,880,000 principal amount outstanding under these Debentures. In connection with this offering, we have agreed in principle with holders of \$2,325,000 principal amount of the Debentures to repay the principal amount of such Debentures with the proceeds from this offering, and convert \$487,861 of incremental obligations into shares of our common stock at the public offering price of \$1.05, resulting in the issuance of 464,632 shares.

Recent Developments

We are negotiating the sale of a majority stake in our non-core assets principally in the technology space, including certain intellectual property related to SDS and the assets related to the Draft Day daily fantasy sports business. If completed, the contemplated transaction would combine these assets in to a new company, Element(X). We intend to sell 80.1% of Element(X) to a newly formed and separately funded entity owned by current and former employees of Function(x). In addition, the Company intends to enter into a shared services agreement with Element(X) providing for payment for services related to legal, accounting and office-related services, among other things. The terms of any such transaction will be determined on an arms-length basis and will only be consummated if the board of directors determines that the transaction is in our best interests as a company. There can be no assurance that we will be successful in consummating such a transaction on the terms as described, or at all.

We are also negotiating an amendment to the exchange agreement with Mr. Sillerman, pursuant to which he and his affiliated entities would agree to convert 100% of their Series C Preferred shares plus accrued dividends at \$2.34 which would result in the issuance of 15,593,291 shares. The amendment would permit the line of credit from an affiliate of Mr. Sillerman in the amount of approximately \$2,865,000 to remain outstanding after the consummation of this offering and exchange. The conversion price represents a 4% premium to the closing price of our common stock on January 13, 2017.

On January 19, 2017 we named Brian Rosin our Chief Operating Officer.

Going Concern

Our Consolidated Financial Statements as of June 30, 2016, and the auditor's report on those consolidated financial statements, include a disclosure paragraph regarding the uncertainty of our ability to remain a going concern, which implies that we will continue to realize our assets and discharge our liabilities in the normal course of business. We are unlikely to pay dividends or generate significant revenue or earnings in the immediate or foreseeable future. The continuation of us as a going concern is dependent upon the continued financial support from its stockholders and our ability to obtain necessary equity and/or debt financing to continue development of our business and to increase revenue. Management intends to raise additional funds through equity and/or debt offerings until sustainable revenues are developed. There is no assurance such equity and/or debt offerings will be successful or that development of the business will be successful, and therefore there is substantial doubt about our ability to continue as a going concern within one year after the

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financial statements are issued. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

We have assessed the effectiveness of our internal control over disclosure controls and procedures as of December 31, 2016. As a result of this assessment, we concluded that, as of December 31, 2016, our internal control over disclosure controls and procedures was not effective. Our management identified a material weakness in our internal control over disclosure controls and procedures as a result of insufficient levels of supervision and review of the disclosure controls and procedures process.

We plan to take steps to enhance and improve the design of our internal control over disclosure controls and procedures. To remediate such weaknesses, we intend to appoint in the near future additional qualified personnel to address inadequate segregation of duties and ineffective risk management. These remediation efforts are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

Corporate Information

We were incorporated in Delaware in July 1994, and were formerly known as DraftDay Fantasy Sports, Inc., Viggie Inc., Function(x) Inc., and Gateway Industries, Inc.

Our principal executive offices are located at 902 Broadway, 11th Floor, New York, New York 10010. The telephone number at our principal executive office is (212) 231-0092. Our website address is www.functionxinc.com.

Information contained on our website is not deemed part of this prospectus.

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THE OFFERING

Common stock offered by us

4,571,428 shares of our common stock (or 5,257,142 shares if the underwriters exercise their over-allotment option in full).

Over-allotment option

We have granted the underwriters an option for a period of up to 45 days to purchase up to 685,714 additional shares of common stock to cover overallotments, if any.

Common stock to be outstanding immediately after this offering

8,824,372 shares (or 9,510,086 shares if the underwriters exercise their over-allotment option in full).

Use of Proceeds

We estimate that the net proceeds from this offering will be approximately \$3,731,000 million, or approximately \$4,400,600 million if the underwriters exercise their overallotment option in full, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We will use the proceeds to reduce or satisfy indebtedness, including reducing the outstanding principal of the debentures issued in July 2016 to settle trade payables, for acquisitions, and for general corporate working capital. See [Use of Proceeds](#) for a more complete description of the intended use of proceeds from this offering.

Representative s Warrants

The registration statement of which this prospectus is a part also registers for sale warrants to purchase shares of our common stock to the representative of the underwriters as a portion of the underwriting compensation payable to the underwriters in connection with this offering. The warrants will be exercisable for a four-year period commencing one year following the effective date of this offering at an exercise price equal to 125% of the public offering price of the common stock. Please see [Underwriting Representatives Warrants](#) for a description of these warrants.

Risk Factors

You should read the [Risk Factors](#) section of this prospectus beginning on page 8 for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.

NASDAQ Capital Market Trading Symbol

FNCX

The number of shares of our common stock that will be outstanding immediately after this offering is based on 4,252,944 shares of common stock outstanding as of February 17, 2017, and excludes the following:

45,356 shares of common stock issuable upon the exercise of options outstanding as of December 31, 2016, with a weighted-average exercise price of \$214.00 per share;

780,230 shares of common stock issuable upon conversion of outstanding Debentures (including accrued interest) held by the selling stockholders at a conversion price of \$6.266; and

407,850 shares of common stock issuable upon exercise of outstanding warrants to purchase shares of common stock with an exercise price of \$6.528 per share.

Except as otherwise stated herein, the information in this prospectus assumes no exercise by the underwriters of their option to purchase up to an additional 685,714 shares of common stock to cover over-allotments, if any.

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RISK FACTORS

Various portions of this report contain forward-looking statements that involve risks and uncertainties. Actual results, performance or achievements could differ materially from those anticipated in these forward-looking statements as a result of certain risk factors, including those set forth below and elsewhere in this report (amounts in thousands, except share data).

Our business has substantial indebtedness and trade payables.

We currently have, and will likely continue to have, a substantial amount of indebtedness and trade payables. These obligations could, among other things, make it more difficult for us to satisfy our debt obligations, require us to use a large portion of our cash flow from operations to repay and service our debt or otherwise create liquidity problems, limit our flexibility to adjust to market conditions, place us at a competitive disadvantage and expose us to interest rate fluctuations. As of December 31, 2016, we had total indebtedness of approximately \$13,067,000 and trade payables of approximately \$10,250,000. We have recently entered into the following transactions affecting indebtedness:

We and SIC III, SIC IV, and SIC VI, each an affiliate of Sillerman, entered into a Note Exchange Agreement pursuant to which all of the outstanding principal and accrued interest of certain notes held by SIC III, SIC IV, and SIC VI other than \$900,000 of debt held by SIC IV pursuant to that certain Line of Credit Grid Promissory Note dated as of June 11, 2015, was exchanged for 30,175 shares of our Series C Preferred Stock; and

In connection with the Private Placement and the acquisition of the Rant Assets, we issued \$4,444,444 principal amount of Debentures, delivered a Secured Convertible Promissory Note to Rant in the amount of \$3,000,000 and assumed \$2,000,000 of liabilities of Rant, thereby increasing our trade payables and total indebtedness significantly.

While we have attempted to settle with many of the vendors to which the trade payables are owed, there can be no assurances that we will be able to do so at all or be able to do so on favorable terms. Failure to settle these trade payables could result in litigation, which could lead to attachments and liens on our assets. In addition, vendors could potentially seek to file against us involuntary reorganization proceedings.

We expect to obtain the money to pay our expenses, to pay our trade payables and to pay the principal and interest on our indebtedness from cash flow from our operations and potentially from other debt and/or equity offerings. Accordingly, our ability to meet our obligations depends on our future performance and capital raising activities, which will be affected by financial, business, economic and other factors, many of which are beyond our control. If our cash flow and capital resources prove inadequate to allow us to pay the principal and interest on our debt and meet our other obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations, restructure or refinance our debt, which we may be unable to do on acceptable terms, and forgo attractive business opportunities. In addition, the terms of our existing or future debt agreements may restrict us from pursuing any of these alternatives.

We are currently in default under the Debentures issued in the Private Placement and the note issued in connection with the Rant Acquisition.

As described in Private Placement; Events of Default , we are currently in default under the Debentures issued in the Private Placement for failure to make amortization payments and for failure to maintain the Minimum Cash Reserve.

On October 12, 2016, the first amortization payment in the amount of \$444,000, plus accrued interest of approximately \$114,000 pursuant to the terms of the Debentures became due and payable to the Purchasers. We did not make such payment at the time it was due. We entered into waiver agreements with Purchasers holding approximately 87% of the principal amount of the Debentures. Such waivers are not binding on the remaining Purchaser of the Debentures. Pursuant to the terms of the Waiver, the Purchasers have agreed to waive the payment of the amortization payments and accrued interest due for October 2016 and November 2016. In consideration for waiving the payment terms of the Debentures, we paid, upon execution of the Waiver, 10% of the Amortization Amount that became due on October 12, 2016 and paid on November 12, 2016 10% of the Amortization Amount due in November 2016. All other amounts will be due

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and payable in accordance with the terms of the Debentures, with the deferred payments due at maturity. We did not receive a waiver from one of our debenture holders, holding approximately 13% of the principal amount of the Debentures with respect to the event of default arising out of our failure to make the first amortization payment when due. Pursuant to the terms of the Debentures, such holder has sent a notice of acceleration, stating that the Company owes \$696,000, reflecting the principal amount of the Debenture plus interest through November 1, 2016. Interest will accrue at 18% until this amount is satisfied. We are seeking to settle the matter with the holder; however, there can be no assurance that an agreement will be reached.

The waivers entered into with some of the Purchasers related to the failure to pay the amortization amount do not address the failure to maintain the Minimum Cash Reserve. In addition, we are currently in default with respect to the amortization payments due in January and February 2017.

Pursuant to the terms of the Debentures, the failure to cure the non-payment of amortization or failure to maintain the Minimum Cash Reserve within three trading days after the due date constituted an Event of Default. Following the occurrence of an event of default, among other things: (1) at the Purchaser's election, the outstanding principal amount of the Debentures, plus accrued but unpaid interest, plus all interest that would have been earned through the one year anniversary of the original issue date if such interest has not yet accrued, liquidated damages and other amounts owed through the date of acceleration, shall become immediately due and payable in either cash or stock pursuant to the terms of the Debentures; and (2) the interest rate on the Debentures will increase to the lesser of 18% or the maximum allowed by law. In addition to other remedies available to the Purchasers, the Company's obligation to repay amounts due under the Debentures is secured by a first priority security interest in and lien on all of the Company's assets and property, including our intellectual property, and such remedies can be exercised by the Purchasers without additional notice to the Company.

If holders of the Debentures accelerate the amounts owed under the Debentures as a result of the events of default and request such payment in shares of our common stock, the conversion price for those shares will be substantially less than the current conversion price of \$6.266. As a result, we could be required to issue additional shares that would dilute the ownership of current stockholders.

As of the date of this prospectus, we have approximately \$2,880,000 principal amount outstanding under these Debentures. In connection with this offering, we have agreed in principle with holders of \$2,325,000 principal amount of the Debentures to repay the principal amount of such Debentures with the proceeds from this offering, and convert \$487,861 of incremental obligations into shares of our common stock at the public offering price of \$1.05, resulting in the issuance of 464,632 shares.

Under terms of the \$3,000,000 Secured Convertible Note issued in connection with the acquisition of Rant, a default under other indebtedness owed by us constitutes a default under the Rant Note. However, the holder of the Rant Note has executed a waiver that provides that, until May 15, 2017, the events of default arising out of the failure to pay the amounts due under the Debentures as of the date of the waiver and the failure by us to maintain the Minimum Cash Reserve shall not constitute events of default for purposes of the Rant Note.

Pursuant to the terms of the Registration Rights Agreement, we were required, on or before 30 days after the closing of the Private Placement, to file a registration statement with the Securities and Exchange Commission (the "SEC") covering the resale of the shares of our common stock issuable pursuant to the Debentures and Warrants and to use commercially reasonable efforts to have the registration declared effective as soon as practicable, but in no event later than 90 days after the filing date. The resale Registration Statement was declared effective on December 6, 2016. As a result, the Purchasers were entitled to liquidated damages calculated as follows:

We are currently in default under the Debentures issued in the Private Placement and the note issued in connection

\$62,000, 1.5% of the purchase price paid for securities purchased pursuant to the Purchase Agreement, payable in cash; and

State Street Salary Savings Program
Notes to Financial Statements
December 31, 2015

4. Fair Value Measurement (continued)

Following is a description of the valuation methodologies used by the Plan for assets measured at fair value:

Common and Collective Trust Funds: Valued at the net asset value per unit held by the Plan at year end as quoted by the individual funds. SSGA, as investment manager of the Common and Collective Trust Funds, determines the net asset value per unit of the respective funds. There are no redemption restrictions in the Common and Collective Trust Funds.

Company Stock: Valued at the closing price reported on the active market on which the security is traded.

Mutual Funds: Valued at the net asset value of shares held by the Plan at year end as quoted in the active market.

Self Managed Brokerage Accounts: Predominantly valued at closing prices, and the net asset values of shares, as quoted in active markets. A nominal segment of these assets are traded less frequently and valued using assumptions. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets measured at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Company stock	\$189,664,445	—	—	\$189,664,445
Money market fund	187,769,539	—	—	187,769,539
Self Managed Brokerage Accounts	116,587,336	2,726,163	—	119,313,499
Total assets in the fair value hierarchy	494,021,320	2,726,163	—	496,747,483
Investments measured at net asset value ^(a)	—	—	—	2,374,666,486
Investments at fair value	\$494,021,320	\$2,726,163	—	\$2,871,413,969

^(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

No significant transfers of financial assets or liabilities between levels 1 and 2 occurred during 2015.

State Street Salary Savings Program
Notes to Financial Statements
December 31, 2015

4. Fair Value Measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets measured at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Company stock	\$240,117,998	—	—	\$240,117,998
Money market fund	188,485,652	—	—	188,485,652
Self Managed Brokerage Accounts	105,862,545	2,155,871	—	108,018,416
Total assets in the fair value hierarchy	534,466,195	2,155,871	—	536,622,066
Investments measured at net asset value ^(a)	—	—	—	2,367,284,963
Investments at fair value	\$534,466,195	\$2,155,871	—	\$2,903,907,029

^(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.

No significant transfers of financial assets or liabilities between levels 1 and 2 occurred during 2014.

5. Transactions and Agreements with Parties-in-Interest

The Plan holds units of Common and Collective Trust Funds managed by SSGA, a related party of State Street. The Plan also invests in the common stock of State Street Corporation. These transactions qualify as party-in-interest transactions; however, they are exempt from the prohibited transactions rules under ERISA. During 2015 and 2014, the Plan received \$3,865,813 and \$3,674,283, respectively, of common stock dividends from State Street Corporation. As of December 31, 2015 and 2014, the Plan had income receivable of \$971,759 and \$917,688, respectively, related to common stock dividends from State Street Corporation.

Investment fees and most costs and expenses associated with Plan administration and recordkeeping are paid by the Plan to certain related parties. These expenses are reported on the statements of changes in net assets available for benefits as administrative expenses.

6. Risks and Uncertainties

The Plan and its participants invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, liquidity, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

7. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated October 25, 2013, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and therefore

State Street Salary Savings Program
Notes to Financial Statements
December 31, 2015

7. Income Tax Status (continued)

the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualified status. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and therefore believes the Plan is qualified and the related trust is tax-exempt.

Accounting principles generally accepted in the United States require plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan Sponsor has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Sponsor believes it is no longer subject to income tax examinations for years prior to 2012.

8. Legal Matters

Two participants in the Plan filed class action complaints on behalf of participants and beneficiaries who invested in the Plan's State Street stock investment option. Those complaints were filed in May 2009 and February 2010. The complaints were against the Plan Sponsor as well as certain named individuals and allege violations of the federal securities laws and ERISA. Both lawsuits settled during 2014. The proceeds of the court approved settlement, \$10 million less applicable court approved attorney and other fees, was credited to applicable participant accounts during the fourth quarter of 2015 and first quarter of 2016.

9. Subsequent Events

The Plan has evaluated the need for disclosures and (or) adjustments resulting from subsequent events through June 28, 2016, the date the financial statements were issued, and there are no subsequent events to disclose.

Supplemental Schedule

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State Street Salary Savings Program
 EIN No.: 04-2456637 Plan No.: 002
 Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
 December 31, 2015

Identity of Issue	Description of Investment	Fair Value
SSGA Common and Collective Trust Funds*:		
SSGA Daily EAFE Index Securities Lending Fund	9,221,146 units of participation	\$212,639,622
SSGA Daily Emerging Markets Index Non-Lending Series Fund	2,195,736 units of participation	48,163,476
SSGA Passive Bond Market Index Securities Lending Series Fund	4,308,627 units of participation	111,468,489
SSGA Russell 1000 Growth Index Securities Lending Series Fund	14,112,718 units of participation	246,365,721
SSGA Russell 1000 Value Index Securities Lending Series Fund	7,734,280 units of participation	212,267,309
SSGA Russell 2000 Index Securities Lending Series Fund	4,716,761 units of participation	201,495,332
SSGA S&P 500 Flagship Securities Lending Series Fund	739,017 units of participation	348,871,540
SSGA S&P Midcap Index Securities Lending Series Fund	4,631,399 units of participation	260,812,589
SSGA World Government Bond Ex-U.S. Index Securities Lending Fund	847,006 units of participation	15,276,597
SSGA Target Retirement 2015 Securities Lending Series Fund	1,609,935 units of participation	26,663,740
SSGA Target Retirement 2020 Securities Lending Series Fund	3,547,410 units of participation	67,879,686
SSGA Target Retirement 2025 Securities Lending Series Fund	6,092,041 units of participation	106,001,516
SSGA Target Retirement 2030 Securities Lending Series Fund	5,890,907 units of participation	116,021,413
SSGA Target Retirement 2035 Securities Lending Series Fund	6,965,876 units of participation	119,638,926
SSGA Target Retirement 2040 Securities Lending Series Fund	5,152,966 units of participation	102,358,525
SSGA Target Retirement 2045 Securities Lending Series Fund	4,794,933 units of participation	83,767,485
SSGA Target Retirement 2050 Securities Lending Series Fund	3,898,528 units of participation	55,429,270
SSGA Target Retirement 2055 Securities Lending Series Fund	927,272 units of participation	13,119,038
SSGA Target Retirement Income Securities Lending Series Fund	1,260,064 units of participation	20,517,628
State Street Corporation ESOP Fund*:		
State Street Corporation Common Stock	2,858,114 units of participation	\$189,664,445
SSGA Short Term Investment Fund	5,908,584 units of participation	5,908,584
Self Managed Brokerage Accounts		119,313,499
Vanguard Prime Money Market Fund	187,769,539 units of participation	187,769,539
Total investments		\$2,871,413,969
Participant loans*	4.25% to 11.50%	\$48,836,854

* Indicates party-in-interest to the Plan

Note: Cost information has not been included because all investments are participant-directed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the State Street Corporation Plans Investment Committee of State Street Corporation has duly caused this annual report to be signed by the undersigned hereunto duly authorized.

STATE STREET SALARY SAVINGS PROGRAM

By: /s/ SEAN P. NEWTH
Sean P. Newth
Senior Vice President, Chief Accounting Officer and Controller

Date: June 28, 2016

EXHIBIT INDEX

Exhibit 23 Consent of Independent Registered Public Accounting Firm