Risk Factors Comparison 2023-10-19 to 2023-03-30 Form: 10-K

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An investment in our securities involves a high degree of risk. You should **carefully** consider ~~carefully~~ all of the risks described below, together with the other information contained in this annual report before making a decision to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment. Risk Factor Summary The following is a summary of the principal risks that could materially adversely affect our business, reputation, financial condition and / or operating results. ~~You should~~ **It is important that investors and stakeholders** read this summary together with the more detailed description of each risk contained below ~~.~~ **:** ● If Alliance fails to respond to or capitalize on the rapid technological development in the music, video, gaming, and entertainment industry, including changes in entertainment delivery formats, its business could be harmed ~~.~~ **;** ● If Alliance does not successfully optimize and operate its fulfillment network, its business could be harmed ~~.~~ **;** ● The markets in which Alliance participates are...... may reduce our sales and profits. Disruptions in Alliance' s supply chain have increased product expenditures and could result in an adverse impact on results of operations ~~. For the six months ended December 31, 2022, Alliance' s top five suppliers represent approximately 48 % of product expenditures. For the year ended June 30, 2022, Alliance' s top five suppliers represented approximately 40 % of all of Alliance' s product expenditures as compared to approximately 25 % of product expenditures for previous fiscal year. The occurrence of one or more natural or human induced disasters, including pandemic diseases or viral contagions such as the COVID- 19 pandemic~~ ; **●** geopolitical events, such as war,...... results of operations and financial performance. Inflation could cause Alliance' s product costs and operating and administrative expenses to grow more rapidly than net sales, which could result in lower gross margins and lower net earnings **; ●** . Market variables, such as inflation...... profit margins and lower net earnings. Weakness in the economy, market trends and other conditions affecting the profitability and financial stability of Alliance' s customers could negatively impact Alliance' s sales growth and results of operations .Market variables,such as inflation of product costs from suppliers,labor rates and fuel,freight and energy costs,have and may continue to increase potentially causing Alliance to be unable to efficiently manage its product costs and operating and administrative expenses in a way that would enable it to leverage its revenue growth into higher net earnings.In addition,Alliance' s inability to pass on such increases in product costs to customers in a timely manner,or at all,could cause Alliance' s operating and administrative expenses to grow,which could result in lower gross profit margins and lower net earnings. . Economic, political and industry trends affect Alliance' s business environments. Alliance serves several industries and markets in which the demand for its products and services is sensitive to the production activity, capital spending and demand for products and services of Alliance' s customers. Many of these customers operate in markets that are subject to cyclical fluctuations resulting from market uncertainty, trade and tariff policies, costs of goods sold, currency exchange rates, central bank interest rate fluctuations, economic downturns, recessions, foreign competition, offshoring of production, oil and natural gas prices, geopolitical developments, labor shortages, inflation, natural or human induced disasters, extreme weather, outbreaks of pandemic disease such as the COVID- 19 pandemic, inflation, deflation, and a variety of other factors beyond Alliance' s control. Any of these factors could cause customers to idle or close stores, delay purchases, reduce wholesale purchasing levels, or experience reductions in the demand for their own retail and wholesale products or services. ~~15Any~~ **14Any** of these events could also reduce the volume of products and services these customers purchase from Alliance or impair the ability of Alliance' s customers to make full and timely payments and could cause increased pressure on Alliance' s selling prices and terms of sale. ~~Our~~ **If we incurred any significant impairment charges, our net earnings would be reduced. Declines in the profitability of acquired brands or our decision to reduce our focus or exit these brands may impact our ability to recover the carrying value of the related assets and could result in an impairment charge. Similarly, declines in our profitability may impact on the fair value of our reporting unit, which could result in a write- down of our goodwill and consequently harm our net earnings. Risks Related to Expansion of our BusinessOur** expansion places a strain on our management, operational, financial, and other resources. We are rapidly and significantly expanding operations, including increasing our product and service offerings and scaling our infrastructure to support our retail and services businesses. This expansion increases the complexity of our business and places strain on our management, personnel, operations, systems, technical performance, financial resources, and internal financial control and reporting functions. We may not be able to manage growth effectively, which could damage our reputation, limit our growth, and negatively affect our operating results. We may not realize the anticipated benefits of acquisitions or investments in our acquisitions or joint ventures, or those benefits may be delayed or reduced in their realization. Acquisitions and investments have been a component of our growth and the development of our business, such as our acquisition of COKeM in September 2020. Acquisitions can broaden and diversify our brand holdings and product offerings and allow us to build additional capabilities and competencies of the company. We cannot be certain that the products and offerings of companies we may acquire, or acquire an interest in, will achieve or maintain popularity with consumers in the future or that any such acquired companies or investments will allow us to **market our products** more effectively ~~market our products~~ , develop our competencies or grow our business. In some cases, we expect that the integration of the companies that we may acquire into our operations will create production, marketing and other operating, revenue or cost synergies which will produce greater revenue growth and profitability and, where applicable, cost savings, operating efficiencies and other advantages. However, we cannot be certain that these synergies, efficiencies **,** and cost savings will be realized. Even if achieved, these benefits may be delayed or reduced in their realization. In other cases, we may acquire or invest in companies that we believe have strong and creative management, in which case we may plan to operate them more autonomously rather than fully integrating them into our operations. We cannot be certain that the key talented individuals at these companies ~~would~~ **will** continue to work for us after the acquisition or that they would develop popular and profitable products, entertainment or services in the future. We cannot guarantee that any acquisition or investment we may make will be successful or beneficial, and acquisitions can consume significant amounts of management attention and other resources, which may negatively impact other aspects of our business. Our expansion into new products, services, technologies, and geographic regions subjects us to additional business, legal, financial, and competitive risks. We may have limited or no experience in our newer market segments, and our customers may not adopt our offerings. These offerings may present new and difficult technology challenges, and we may be subject to claims if customers of these offerings experience service disruptions or failures or other quality issues. In addition, profitability, if any, in our newer activities may be lower than in our older activities, and we may not be successful enough in these newer activities to recoup our investments in them. If any of this were to occur, it could damage our reputation, limit our growth, and negatively affect our operating results. We may experience significant fluctuations in our operating results and growth rate. We may not be able to accurately forecast our growth rate. We base our expense levels and investment plans on sales estimates. A significant portion of our expenses and investments is fixed, and we may not be able to adjust our spending quickly enough if our sales are less than expected. ~~Our~~ **15Our** revenue growth may not be sustainable, and our percentage growth rates may decrease. Our revenue and operating profit growth depends on the continued growth of demand for the products and services offered by us or our customers, and our business is affected by general economic and business conditions worldwide. A softening of demand, whether caused by changes in customer preferences or a weakening of the U. S. or global economies, may result in decreased revenue or growth. ~~16Our~~ -- **Our** sales and operating results will also fluctuate for many other reasons, including due to risks described elsewhere in this section and the following: ● our ability to retain and increase sales to existing customers, attract new customers, and satisfy our customers' demands; ● our ability to retain and expand our network of customers; ● our ability to offer products on favorable terms, manage inventory, and fulfill orders; ● the introduction of competitive stores, websites, products, services, price decreases, or improvements; ● changes in usage or adoption rates of the Internet, e- commerce, electronic devices, and web services, including outside the U. S.; ● timing, effectiveness, and costs of expansion and upgrades of our systems and infrastructure; ● the success of our geographic, service, and product line expansions; ● the extent to which we finance, and the terms of any such financing for, our current operations and future growth; ● the outcomes of legal proceedings and claims, which may include significant monetary damages or injunctive relief and could have a material adverse impact on our operating results; ● variations in the mix of products and services we sell; ● variations in our level of merchandise and vendor returns; ● the extent to which we offer free shipping, continue to reduce prices worldwide, and provide additional benefits to our customers; ● factors affecting our reputation or brand image; ● the extent to which we invest in technology and content, fulfillment, and other expense categories; ● increases in the prices of fuel and gasoline, as well as increases in the prices of other energy products and commodities like paper and packing supplies; ● the extent to which our equity- method investees record significant operating and non- operating items; ● the extent to which operators of the networks between our customers and our stores successfully charge fees to grant our customers unimpaired and unconstrained access to our online services; ● our ability to collect amounts owed to us when they become due; ● the extent to which use of our services is affected by spyware, viruses, phishing and other spam emails, denial of service attacks, data theft, computer intrusions, outages, and similar events; ● terrorist attacks and armed hostilities; **16** ● supply chain issues either in chip shortages; and ● long lead time in the manufacturing vinyl LP' s. Our international operations expose us to a number of risks. Our international activities are insignificant to our revenues and profits, and we plan to further expand internationally. In certain international market segments, we have relatively little operating experience and may not benefit from any first- to- market advantages or otherwise succeed. It is costly to establish, develop, and maintain international operations, and promote our brand internationally. Our international operations may not be profitable on a sustained basis. In addition to risks described elsewhere in this section, our international sales and operations are subject to a number of risks, including: ● local economic and political conditions; ● government regulation and compliance requirements (such as regulation of our product and service offerings and of competition), restrictive governmental actions (such as trade protection measures, including export duties and quotas and custom duties and tariffs), nationalization, and restrictions on foreign ownership; ● restrictions on sales or distribution of certain products or services and uncertainty regarding liability for products, services, and content, including uncertainty as a result of less Internet- friendly legal systems, local laws, lack of legal precedent, and varying rules, regulations, and practices regarding the physical and digital distribution of media products and enforcement of intellectual property rights; ● business licensing or certification requirements, such as for imports, exports, web services, and electronic devices; ● limitations on the repatriation and investment of funds and foreign currency exchange restrictions; ~~17~~ ● limited fulfillment and technology infrastructure; ● shorter payable and longer receivable cycles and the resultant negative impact on cash flow; ● laws and regulations regarding consumer and data protection, privacy, network security, encryption, payments, and restrictions on pricing or discounts; ● lower levels of consumer spending and fewer opportunities for growth compared to the U. S.; ● lower levels of credit card usage and increased payment risk; ● difficulty in staffing, developing, and managing foreign operations as a result of distance, language, and cultural differences; ● different employee / employer relationships and the existence of works councils and labor unions; ● compliance with the U. S. Foreign Corrupt Practices Act and other applicable U. S. and foreign laws prohibiting corrupt payments to government officials and other third parties; ● laws and policies of the U. S. and other jurisdictions affecting trade, foreign investment, loans, and taxes; and ● geopolitical events, including war and terrorism. As international physical, e- commerce, and other services grow, competition will intensify, including through adoption of evolving business models. Local companies may have a substantial competitive advantage because of their greater understanding of, ~~and~~ **17and** focus on, the local customer, as well as their more established local brand names. We may not be able to hire, train, retain, and manage required personnel, which may limit our international growth. Our business will suffer if we are not successful in developing and expanding our partner brands across our consumer base. Our strategy is to focus and expand, larger global brands with an emphasis on developing and expanding those of our key partner brands, which we view as having the largest global potential, across our customer base. As we concentrate our efforts on more brands, we believe we can gain additional leverage and enhance the consumer experience. This focus means that our success depends disproportionately on our and our new partners' ability to successfully develop these new brands across our consumer base and to maintain and extend the reach and relevance of these brands to global consumers in a wide array of markets. This strategy has required us to acquire, build, invest in and develop our competencies in music, movies, gaming, consumer products and entertainment products. Acquiring, developing, investing in and growing these competencies has required significant effort, time and money, with no assurance of success. The success of our brand blueprint strategy also requires significant alignment and integration among our business segments. If we are unable to successfully develop, maintain and expand key partner brands across our brand blueprint, our business performance will suffer. **Risks Related to Shifts in** Consumer **DemandConsumer** interests change rapidly and acceptance of products and entertainment offerings are influenced by outside factors. The interests of families, individuals, fans and audiences evolve extremely quickly and can change dramatically from year to year and by geography. To be successful, we must correctly anticipate the types of entertainment, products and play patterns which will capture consumers' interests and imagination, and quickly develop and introduce innovative products and engaging entertainment which can compete successfully for consumers' limited time, attention and spending. This challenge is more difficult with the ever- increasing utilization of technology, social media and digital media in entertainment offerings, and the increasing breadth of entertainment available to consumers. Evolving consumer tastes and shifting interests, coupled with an ever- changing and expanding pipeline of entertainment and consumer properties and products which compete for consumer interest and acceptance, create an environment in which some products and entertainment offerings can fail to achieve consumer acceptance, and other products and entertainment offerings can be popular during a certain period of time but then be rapidly replaced. As a result, our products and entertainment offerings can have short consumer life cycles. Consumer acceptance of our or our partners' entertainment offerings is also affected by outside factors, such as critical reviews, promotions, the quality and acceptance of films and television programs, music, video games, and content released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and public tastes generally, all of which could change rapidly and most of which are beyond our control. There can be no assurance that television programs and films, video games, video movies we distribute will obtain favorable reviews or ratings, that films, video games, video movies we distribute will be popular with consumers and perform well in our distribution channels. ~~18If~~ **If** we devote time and resources to distributing and marketing products or entertainment that consumers do not accept or do not find interesting enough to buy in sufficient quantities to be profitable to us, our revenues and profits may decline, and our business performance may be harmed. Similarly, if our product offerings and entertainment fail to correctly anticipate consumer interests, our revenues and earnings will be reduced. An inability to develop, introduce and ship planned products, product lines and new brands in a timely and cost- effective manner may damage our business. In acquiring new products, product lines and new brands we have anticipated dates for the associated product and brand introductions. When we state that we will introduce, or anticipate introducing, a particular product, product line or brand at a certain time in the future those expectations are based on completing the associated development, implementation, and marketing work in accordance with our currently anticipated development schedule. We cannot guarantee that we will be able to source and ship new or continuing products in a timely manner and on a cost- effective basis to meet constantly changing consumer demands. The risk is also exacerbated by the increasing sophistication of many of the products we are distributing, providing greater innovation and product differentiation. Unforeseen delays or difficulties in the development process, significant increases in the ~~planned~~ **18planned** cost of development, or changes in anticipated consumer demand for our products and new brands may cause the introduction date for products to be later than anticipated, may reduce or eliminate the profitability of such products or, in some situations, may cause a product or new brand introduction to be discontinued. ~~If~~ **Risks Related to Our Supply Chain and Sales ChannelsIf** we are unable to navigate through global supply chain challenges, our business may be harmed. ~~In~~ **Beginning in** 2021 **,** and continuing through 2022, we ~~have~~ faced global supply chain challenges with the production and delivery of some products being delayed due to logistics, including labor, trucking and container shortages, port congestion and other shipping disruptions. We have **in the past** experienced increases in material costs and shortages for some of our products **or any** ~~, due in part to higher wages being paid due to labor shortages in China and Vietnam, as well as~~ periodic and unpredictable manufacturing shut- downs **, for example** due to COVID- 19. While we have taken actions to lessen the impact of these supply chain challenges, such as through the use of alternative ports and air freight, such actions ~~have~~ resulted in higher costs and there can be no assurance that the actions taken will continue to be effective. We have also increased prices in some cases to help offset increased costs. We can provide no assurance that we will be able to **avoid supply chain challenges in the future, or if we face such challenges, that we will be able to** increase prices in the future ~~and we~~ **. We also** cannot assure that price increases we have already taken will offset the entirety of additional costs we have incurred and may incur in the future to mitigate the supply chain disruption. Further, if we are unable to negotiate favorable carrier agreements, deliver products on time or otherwise satisfy demand for our products, our business may be harmed. If we are unable to adapt our business to the continued shift to ecommerce, our business may be harmed. **In fiscal year 2023,** ~~Ecommerce~~ **ecommerce** sales ~~continue~~ **represented approximately 24 % of our** ~~to~~ **top** ~~grow in~~ **four customers** overall sales as consumers increasingly purchased our products online as compared to through in- store shopping due to the continued transition to ecommerce accelerated by the shutdown and limited access to retail stores during the COVID- 19 pandemic. Ecommerce sales have resulted in retailers holding less inventory, which has caused us to adjust our supply chain. This supply chain is further strained by customers desiring faster delivery at reduced costs. Additionally, if our technology and systems used to support ecommerce order processing are not effective, our ability to deliver products on time on a cost- effective basis may be adversely affected. Failure to continue to adapt our systems and supply chain and successfully fulfill ecommerce sales could harm our business. The concentration of our retail customer base and continued shift to ecommerce sales means that economic difficulties or changes in the purchasing or promotional policies or patterns of our major customers could have a significant impact on us. For the year ended June 30, ~~2022~~ **2023** ~~and for the six months ended December 31, 2022~~ , our top **five** ~~customer~~ **customers** generated ~~over 10~~ **approximately 50** % of net sales **and** ~~. For the six months ended December 31, 2022,~~ our top customer accounted for approximately ~~19~~ **23** % **(Including all channels, market segments and lines of business)** of our total net sales ~~,~~ **and** purchased a mix of products comprised of ~~34~~ **approximately 47 % music, 24** % games, **23** ~~46 % music, and 20~~ % movies **, and 6 % Consumer Products** . For the year ended June 30, 2022, our top customer accounted for ~~24~~ **27** % of our total net sales **including all channels** , **market segments** ~~purchased a mix of products comprised of 41 % games, 39 % music,~~ and ~~20 % movies~~ **lines of business** . Due to our customer concentration, if our top customer ~~were~~ **was** to experience difficulties in fulfilling their obligations to us, cease doing business with us, significantly reduce the amount of their purchases from us, favor competitors or new entrants, change their purchasing patterns, impose unexpected fees on us, alter the manner in which they promote our products or the resources they devote to promoting and selling our products, or return substantial amounts of our products, our business may be harmed. ~~19Our~~ -- **Our** customers do not make binding long-term commitments to us regarding purchase volumes and make all purchases by delivering purchase orders. Any customer could reduce its overall purchase of our products and reduce the number and variety of our products that it carries, and the shelf space allotted for our products. In addition, increased concentration among our customers could negatively impact our ability to negotiate higher sales prices for our products and could result in lower gross margins than would otherwise be obtained if there were less consolidation among our customers. Furthermore, the failure or lack of success of a significant retail customer could negatively impact our revenues and profitability. Our business, including our costs and supply chain, is subject to risks associated with sourcing, manufacturing, warehousing, distribution and logistics, and the loss of any of our key suppliers or service providers could negatively impact our business. All ~~of~~ the products we offer are manufactured by third- party labels, studios, publishers, and suppliers, and as a result we may be subject to price fluctuations or demand disruptions. Our operating results would be negatively impacted by increases in the costs of the products we offer, and we have no guarantees that costs will not rise. In addition, as we expand into new categories and product types, ~~we~~ **19we** expect that we may not have strong purchasing power in these new areas, which could lead to higher costs than we have historically seen in our current categories. We may not be able to pass increased costs on to consumers, which could adversely affect our operating results. Moreover, in the event of a significant disruption in the supply of the materials used in the manufacture of the products we offer, we and the vendors that we work with might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. In addition, products, and merchandise we receive from manufacturers and suppliers may not be of sufficient quality or free from damage, or such products may be damaged during shipping, while stored in our warehouse fulfillment centers or with third- party ecommerce or retail customers or when returned by consumers. We may incur additional expenses and our reputation could be harmed if consumers and potential consumers believe that our products do not meet their expectations, are not properly labeled or are damaged. We purchase significant amounts from a limited number of suppliers with limited supply capabilities. There can be no assurance that our current suppliers will be able to accommodate our anticipated growth or continue to supply current quantities at preferential prices. An inability of our existing suppliers to provide products in a timely or cost- effective manner could impair our growth and have an adverse effect on our business, financial condition, results of operations and prospects. We generally do not maintain long- term supply contracts with any of our suppliers and any of our suppliers could discontinue selling to us at any time. The loss of any of our other significant suppliers, or the discontinuance of any preferential pricing or exclusive incentives they currently offer to us could have an adverse effect on our business, financial condition, results of operations and prospects. We continually seek to expand our base of product suppliers, especially as we identify new markets. We also require our new and existing suppliers to meet our ethical and business partner standards. Suppliers may also have to meet governmental and industry standards and any relevant standards required by our consumers, which may require additional investment and time on behalf of suppliers and us. If any of our key suppliers becomes insolvent, ceases or significantly reduces its operations or experiences financial distress, ~~as a result of the COVID- 19 pandemic or otherwise,~~ or if any environmental, economic or other outside factors impact their operations. If we are unable to identify or enter ~~into~~ distribution relationships with new suppliers or to replace the loss of any of our existing suppliers, we may experience a competitive disadvantage, our business may be disrupted and our business, financial condition, results of operations and prospects could be adversely affected. Our principal suppliers currently provide us with certain incentives such as extended payment terms, volume purchasing, trade discounts, cooperative advertising and market development funds. A reduction or discontinuance of these incentives would increase our costs and could reduce our ability to achieve or maintain profitability. Similarly, if one or more of our suppliers were to offer these incentives, including preferential pricing, to our competitors, our competitive advantage would be reduced, which could have an adverse effect on our business, financial condition, results of operations and prospects. We face significant inventory risk. In addition to risks described elsewhere relating to fulfillment network and inventory optimization by us and third parties, we are exposed to significant inventory risks that may adversely affect our operating results as a result of seasonality, new product launches, rapid changes in product cycles and pricing, defective merchandise, changes in consumer demand and consumer spending patterns, ~~20changes~~ -- **changes** in consumer tastes with respect to our products, spoilage, and other factors. We endeavor to accurately predict these trends and avoid overstocking or understocking products we manufacture and / or sell. Demand for products, however, can change significantly between the time inventory or components are ordered and the date of sale. In addition, when we begin selling or manufacturing a new product, it may be difficult to establish vendor relationships, determine appropriate product or component selection, and accurately forecast demand. The acquisition of certain types of inventory or components requires significant lead- time and prepayment, and they may not be returnable. We carry a broad selection and significant inventory levels of certain products, and at times we are unable to sell products in sufficient quantities or to meet demand during the relevant selling seasons. If our inventory forecasting and production planning processes result in higher inventory levels exceeding the levels demanded by customers or should our customers decrease their orders with us, our operating results could be adversely affected due to costs of carrying the inventory and additional inventory write- downs for excess and obsolete inventory. Any one of the inventory risk factors set forth above may adversely affect our operating results. ~~If~~ **20If** our third- party suppliers' labels, studios, and publishers do not comply with applicable laws and regulations, our reputation, business, financial condition, results of operations and prospects could be harmed. Our reputation and our consumers' willingness to purchase our products depend in part on our suppliers' labels, studios, publishers, and other suppliers, and retail partners' compliance with ethical employment practices, such as with respect to child labor, wages and benefits, forced labor, discrimination, safe and healthy working conditions, and with all legal and regulatory requirements relating to the conduct of their businesses. We do not exercise control over our suppliers, manufacturers, and retail partners and cannot guarantee their compliance with ethical and lawful business practices. If our suppliers, manufacturers, or retail partners fail to comply with applicable laws, regulations, safety codes, employment practices, human rights standards, quality standards, environmental standards, production practices, or other obligations, norms, or ethical standards, our reputation and brand image could be harmed, and we could be exposed to litigation, investigations, enforcement actions, monetary liability, and additional costs that would harm our reputation, business, financial condition, results of operations and prospects. Shipping is a critical part of our business and any changes in our shipping arrangements or any interruptions in shipping could adversely affect our operating results. We primarily rely on ~~two~~ **the** major ~~vendors~~ **suppliers** for our shipping requirements. If we are not able to negotiate acceptable pricing and other terms with these **suppliers** ~~two vendors~~ or **if** one of the two experiences performance problems or other difficulties, it could negatively impact our operating results and our consumer or retail partner experience. Shipping vendors may also impose shipping surcharges from time to time. In addition, our ability to receive inbound inventory efficiently and ship products to consumers and retailers may be negatively affected by inclement weather, fire, flood, power loss, earthquakes, labor disputes, acts of war or terrorism, trade embargoes, customs and tax requirements and similar factors. For example, strikes at major international shipping ports have in the past impacted our supply of inventory from our third- party labels, studios, publishers, and suppliers, and the escalating trade dispute between the United States and China has and may in the future lead to increased tariffs, the revocation of current tariff exclusions for certain of our products, which may restrict the flow of the goods from China to the United States. We are also subject to risks of damage or loss during delivery by our shipping vendors. If our products are not delivered in a timely fashion or are damaged or lost during the delivery process, our consumers could become dissatisfied and cease shopping on our site or retailer or third- party ecommerce sites, which could have an adverse effect on our business, financial condition, operating results and prospects. We are subject to risks related to online payment methods, including third- party payment processing- related risks. We currently accept payments using a variety of methods, including checks, ACH, wire transfers, credit card, debit card, PayPal, and gift cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements, fraud, and other risks. We also rely on third parties to provide payment processing services, and for certain payment methods, we pay interchange and other fees, which may increase over time and raise our operating costs and affect ability to achieve or maintain profitability. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard, or PCI- DSS, and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we (or a third- party processing payment card transactions on our behalf) suffer a security breach affecting payment card information, we may have to pay onerous and significant fines, penalties and assessments arising out of the major card brands' rules and regulations, contractual indemnifications or liability contained in merchant agreements and similar contracts, and we may lose our ability to accept payment cards for payment for our goods and services, which could materially impact our operations and financial performance. ~~21Furthermore~~ -- **Furthermore** , as our business changes, we may be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. As we offer new payment options to consumers, including by way of integrating emerging mobile and other payment methods, we may be subject to additional regulations, compliance requirements and fraud. If we fail to comply with the rules or requirements of any provider of a payment method we accept, if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card payments from consumers or facilitate other types of online payments. We also occasionally receive orders placed with fraudulent data and we may ultimately be held liable for the unauthorized use of a cardholder' s card number in an illegal activity and be required by card issuers to pay charge- back fees. Charge- backs result not only in our loss of fees earned with respect to the payment, but also leave us liable for the underlying money transfer amount. If our ~~charge~~ **chargeback** ~~- back~~ rate becomes excessive, card associations also may require us to pay fines or refuse to process our transactions. To ~~mitigate~~ **21mitigate** credit card fraud, we use Kount to score all credit card orders for risk of fraud. In addition, we may be subject to additional fraud risk if third- party service providers or our employees fraudulently use consumer information for their own gain or facilitate the fraudulent use of such information. Overall, we may have little recourse if we process a criminally fraudulent transaction. If any of these events were to occur, our business, financial condition, results of operations and prospects could be adversely affected. We rely on third- party suppliers, labels, studios, publishers, suppliers, retail and ecommerce partners and other vendors, and they may not continue to produce products or provide services that are consistent with our standards or applicable regulatory requirements, which could harm our brand, cause consumer dissatisfaction, and require us to find alternative suppliers of our products or services. We do not own or operate any manufacturing facilities. We use multiple third- party suppliers and labels, studios, publishers, suppliers based primarily in the United States, China and Mexico and other countries to a lesser extent, to manufacture and supply all ~~of~~ the products we offer and sell. We engage many of our third- party suppliers and labels, studios, publishers, suppliers on a purchase order basis and in most cases are not party to long- term contracts with them. The ability and willingness of these third parties to supply and manufacture the products we offer, and sell may be affected by competing orders placed by other companies and the demands of those companies. If we experience significant increases in demand or need to replace a significant number of existing suppliers or manufacturers, there can be no assurance that additional supply and manufacturing capacity will be available when required on terms that are acceptable to us, or at all, or that any supplier or manufacturer will allocate sufficient capacity to us ~~in order~~ to meet our requirements. Furthermore, our reliance on suppliers and manufacturers outside of the United States, the number of third parties with whom we transact and the number of jurisdictions to which we sell complicates our efforts to comply with customs duties and excise taxes; any failure to comply could adversely affect our business. In addition, quality control problems, such as the use of materials and delivery of products that do not meet our quality control standards and specifications or comply with applicable laws or regulations, could harm our business. Quality control problems could result in regulatory action, such as restrictions on importation, products of inferior quality or product stock outages or shortages, harming our sales and creating inventory write-downs for unusable products. We have also outsourced minute portions of our fulfillment process, as well as certain technology-related functions, to third- party service providers. Specifically, we are dependent on third- party vendors for credit card processing, and we use third- party hosting and networking providers to host our sites. The failure of one or more of these entities to provide the expected services on a timely basis, or at all, or at the prices we expect, or the costs and disruption incurred in changing these outsourced functions to being performed under our management and direct control or that of a third party, could have an adverse effect on our business, financial condition, results of operations and prospects. We are party to short- term contracts with some of our retail and ecommerce partners, and upon expiration of these existing agreements, we may not be able to renegotiate the terms on a commercially reasonable basis, or at all. ~~22Further~~ -- **Further** , our third- party labels, studios, publishers, suppliers and retail and ecommerce partners may: ● have economic or business interests or goals that are inconsistent with ours; ● take actions contrary to our instructions, requests, policies or objectives; ● be unable or unwilling to fulfill their obligations under relevant purchase orders, including obligations to meet our production deadlines, quality standards, pricing guidelines and product specifications, and to comply with applicable regulations, including those regarding the safety and quality of products; ● have financial difficulties; ● encounter raw material or labor shortages; ● encounter increases in raw material or labor costs which may affect our procurement costs; ● encounter difficulties with proper payment of custom duties or excise taxes; **22** ● disclose our confidential information or intellectual property to competitors or third parties; ● engage in activities or employ practices that may harm our reputation; and ● work with, be acquired by, or come under control of, our competitors. ~~The~~ **Risks Related to Our DebtThe** maturity of our Credit Facility **, along with the Company' s losses from operations for the year ended June 30, 2023,** has raised substantial doubt regarding our ability to continue as a going concern. Our Credit Facility with Bank of America **was extended from** ~~has a maturity date of~~ September 29 **, 2023 to December 31** , 2023, and we have been unable to maintain a certain minimum fixed charged ratio to comply with the financial covenants associated as defined in the Credit Facility **, having obtained a waiver for the non- compliance** . Without generating sufficient cash flow from operations, access to other sources of liquidity or an extension of the existing credit facility **, along with the fact that the Company has experienced losses from operations for the year ended June 30, 2023, and has a working capital deficit** , these conditions raise substantial doubt about our ability to continue as a going concern, meaning that we may be unable to continue operations for the foreseeable future or realize assets and discharge liabilities in the ordinary course of operations. If we need to seek additional financing to fund our business activities in the future and there remains doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding on commercially reasonable terms or at all. If we are unable to obtain sufficient funding, our business, prospects, financial condition and results of operations will be materially and adversely affected, and we may be unable to continue as a going concern. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our consolidated financial statements, and it is likely that investors will lose all or a part of their investment. Alliance' s existing and any future indebtedness could adversely affect its ability to operate its business. **The Company executed an amendment to its Credit Facility with Bank of America on January 24, 2022, (retroactive to January 1, 2022), to transition the interest rate benchmark from Libor to a Secured Overnight Financing Rate (SOFR). The effective interest rate on the revolver using SOFR for the year ended June 30, 2023, was 6. 0 % (SOFR plus a spread of 2. 11 %). The effective interest rate for the year ended June 30, 2022, was 3. 61 %. The Credit Facility maturity was extended from September 29, 2023 to December 31, 2023, has a variable annual interest rate equal to the higher of the Prime rate, Federal Funds rate plus. 5 % or Bank of America Libor rate plus 2 %, up to January 1, 2022, and SOFR plus a spread of 2. 11 % going forward.** On June 30, 2022, the ~~credit~~ **Credit** ~~line~~ **Facility** with Bank of America was ~~amended for the current period which ends September 29, 2023 and~~ increased from $ 175 million to $ 225 million **. On April 21, 2023, in connection** with **Amendment No** ~~a variable annual interest rate equal to the higher of the Prime rate, Federal Funds rate plus~~ . ~~5 % or~~ **12 as defined below, the Credit Facility with** Bank of America ~~SOFR rate plus 2~~ **was reduced from $ 225 million to $ 175 million** . ~~11 %~~ **As disclosed in Note 8, on April 21, 2023, certain subsidiaries of the Company, as Borrowers thereunder** (~~Libor rate plus 2 % is~~ the ~~prior agreement~~ **" Borrowers "**) **, entered an Amendment Number Twelve and Waiver (" Amendment No** . ~~As~~ **12 ") to the Credit Facility. Amendment No. 12 provides for the waiver by Bank** of **America and the Required Lenders (as defined in the Credit Facility) of certain specified events of default under the Credit Facility, including the failure by the Borrowers to meet the Fixed Charge Coverage Ratio covenant requirement for the twelve trailing months ended November 30, 2022,** December 31, 2022, **January 31, 2023 and February 28, 2023 and certain** ~~the~~ **other** ~~interest~~ **non- financial covenant breaches, and modifies the Credit Facility to, among other things, (i) suspend the Fixed Charge Coverage Ratio covenant requirement until the first calendar month end for which the Borrowers are in compliance with such requirement (the " Fixed Charge Coverage Compliance** ~~rate~~ **Date "), and (ii) add an additional covenant requiring the Borrowers to maintain specified minimum levels of EBITDA, which requirement**

will remain in effect until the Fixed Charge Coverage Compliance Date. Pursuant to Amendment No. 12, the Borrowers agreed to pay an Agent waiver fee of approximately $ 180, 000. On September 13, 2023, certain subsidiaries of the Company, ~~was~~ - **as Borrowers under the Credit Facility (the " Borrowers "), entered into Amendment Number Thirteen and Waiver (" Amendment No. 13 ") to the Credit Facility. Amendment No. 13 provides for the waiver by Bank of America and the Required Lenders (as defined in the Credit Facility) of certain specified events of default under the Credit Facility, including a favored Equipment Lease Guaranty with Fifth Third Bank and short- term loans known as Ogilvie Loan Transactions ranging from $ 7.** 6 **million to $ 17** . **0 million during the months** ~~41 % (SOFR 4. 30 % plus a spread~~ of ~~2~~ **June, July and August 2023** . ~~11 %). As~~ **The parties acknowledge these are breaches** of **the covenants of the Credit Facility; however, the Borrowers have requested, and the Lenders have agreed to 23waive the Specified Events of Default and amend the Credit Facility and extend the Revolver Termination Date for a period of 93 days to** December 31, ~~2021~~ **2023** ~~, the interest rate was 2. 25 % (Libor. 25 % plus a spread of 2 %) with borrowing above the contracted Libor at 4. 25 % (Base Rate 3. 25 % plus a spread of 1 %). The weighted average interest rate on the revolver for six months ended December 31, 2022, and year ended June 30, 2022 was 6. 90 % and 2. 76 %, respectively~~ . All assets (with certain capitalized lease exceptions) and interest in assets of the Company are pledged as collateral under the Loan and Security Agreement, dated as of February 21, 2017, by and among Alliance, Bank of America, N. A. and the other parties thereto, as amended, restated, supplemented, included or otherwise modified in writing from time to time (the " Credit Facility "). In addition, the Credit Facility contains certain financial covenants with which the Company is required to comply. Failure to comply with the financial covenants contained in the Credit Facility could result in an event of default. An event of default, if not cured or waived, would permit acceleration of any outstanding indebtedness under the Credit Facility. Availability under the Credit Facility is limited by the Company' s borrowing base calculation, as defined in the Credit Facility. In addition, there is a commitment fee of 0. 25 % for unused credit line with fees for **the** ~~year~~ **years** ended June 30, **2023 and** 2022 ~~, and 2021~~ of **$ 147, 000 and** $ 100 **, 000** ~~thousand and $ 300 thousand~~ , respectively. Availability at ~~December 31~~ **June 30** , ~~2022~~ **2023** , was $ **2** ~~48. 3~~ million with an outstanding revolver balance of $ **133** ~~176. 7~~ million. Availability ~~on December 31~~ **at June 30** , ~~2021~~ **2022** was $ **48** ~~49. 3~~ million with an outstanding ~~revolver~~ **Revolver** balance of $ **136** ~~125. 7~~ million. **Because of the event of default, the lenders are under no obligation to fund any loan, arrange for the issuance of any letter of credit, or grant any other accommodation to or for the benefit of the Company.** ~~23Revolver~~ -- **Revolver** balance consists of the following at: ~~December 31,~~ **($ in thousands)** June 30, **2023 June 30,** ~~($ in thousands) 20222022Bank~~ ---- **2022Bank** of America Revolving Credit Facility $ ~~176~~ **133** , ~~740~~ **323** $ 136, 176Less: Deferred Finance Costs (~~125~~ **42**) (208) Revolving Credit, Net $ ~~176~~ **133** , ~~615~~ **281** $ 135, 968Alliance' s outstanding indebtedness, including any additional indebtedness beyond our borrowings from Bank of America, combined with its other financial obligations and contractual commitments could have significant adverse consequences, including: ● requiring us to dedicate a portion of our cash resources to the payment of interest and principal, reducing money available to fund working capital, capital expenditures, potential acquisitions, international expansion, new product development, new enterprise relationships and other general corporate purposes; ● increasing our vulnerability to adverse changes in general economic, industry and market conditions; ● subjecting us to restrictive covenants that may reduce our ability to take certain corporate actions or obtain further debt or equity financing; ● limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and ● placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options. We intend to satisfy our current and future debt service obligations with our then existing cash and cash equivalents. However, we may not have sufficient funds, and may be unable to arrange for additional financing, to pay the amounts due under the Credit Facility or any other debt instruments. Failure to make payments or comply with other covenants under our existing credit facility or such other debt instruments could result in an event of default and acceleration of amounts due, which would have a material adverse effect on our business **. As disclosed in Note 8 to the Company' s consolidated financial statements, during the year ended June 30, 2023, the Company failed to meet the Fixed Charge Coverage Ratio covenant requirement** . Covenants and events of default under Alliance' s Credit Facility could limit our ability to undertake certain types of transactions and adversely affect our liquidity. Alliance' s Credit Facility contains a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long- term best interest, Alliance obtained a waiver for non- compliance with one non- financial covenant related to its delivery of the monthly unaudited financial statements and compliance certificates for the periods pertaining to June 30, 2022, July 31, 2022 ~~,~~ and August 31, 2022. This non- compliance resulted in events of ~~default~~ **24default** under the Credit Facility. As a result of this non- compliance as of the balance sheet date and periods thereafter, the Company ~~has~~ **had** classified the outstanding balance of the Credit Facility Net of $ 135, 968 as a current liability as of June 30, 2022. ~~The Company expects that it will comply with this non- financial covenant for a period of at least one year from the issuance of these financial statements. In addition, as further described in Note 17 to the Company's condensed consolidated financial statements, the Company determined that it incorrectly classified the revolving credit facility, net, as a non- current liability instead of as a current liability on its condensed consolidated financial statements for the three months ended September 30, 2022. The Company determined that such financial statements were materially misstated and should be restated.~~ As disclosed in Note ~~9~~ **8** to the Company' s consolidated financial statements, during **year** ~~the second fiscal~~ ended ~~December 31~~ **June 30** , ~~2022~~ **2023** , the Company failed to meet the Fixed Charge Coverage Ratio covenant requirement. The Company **received** ~~is in negotiations with its lender to obtain~~ a waiver for ~~non- compliance~~ **failure to meet the Fixed Charge Coverage Ratio for the twelve trailing months ended November 30, 2022, December 31, 2022, January 31, 2023 and February 28, 2023** . ~~The~~ **On April 21, 2023, certain subsidiaries of the** Company ~~also obtained a~~ **executed an Amendment Number Twelve to the Loan and Security Agreement and Waiver, which formalizes such** waiver **and modifies the Credit Facility to, among other things, (i) suspend the Fixed Charge Coverage Ratio covenant requirement until the first calendar month end** for ~~non-~~ **which the Borrowers are in** compliance with ~~one non- financial~~ **such**

requirement (the " Fixed Charge Coverage Compliance Date "), and (ii) add an additional covenant **requiring** ~~related to its delivery of~~ the **Borrowers to maintain specified minimum levels of EBITDA, measured on a calendar year to date basis as of the last day of the** ~~monthly~~ -- **month** ~~unaudited financial statements and~~ **, which requirement will remain in effect until the Fixed Charge Coverage** ~~compliance~~ **Compliance Date** ~~certificates for the periods pertaining to June 30, 2022, July 31, 2022, and August 31, 2022~~ . **The** ~~We cannot provide any assurance that our lender would provide us with a waiver should we not be in compliance in the future. A~~ failure to maintain compliance ~~along~~ with **covenant requirements if not waived by** our lender ~~not agreeing to a waiver for the non- compliance would cause~~ **causes** the outstanding borrowings to be in default and payable on demand **,** which would have a material adverse effect on us and our ability to continue as a going concern. **On September 13, 2023 certain subsidiaries of the Company, as Borrowers entered into Amendment No. 13 to the Credit Facility. Amendment No. 13 provides for the waiver by Bank of America and the Required Lenders (as defined in the Credit Facility) of certain specified events of default under the Credit Facility, including a favored Equipment Lease Guaranty with Fifth Third Bank and short- term loans known as Ogilvie Loan Transactions ranging from $ 7. 6 million to $ 17. 0 million during the months of June, July and August, 2023. The parties acknowledge these are breaches of the covenants of the Credit Facility; however, the borrowers have requested, and the Lenders have agreed to waive the Specified Events of Default and amend the Credit Facility and extend the Revolver Termination Date for a period of 93 days to December 31, 2023.** A breach of the covenants under the Credit Facility could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross- acceleration or cross- default provision applies. In addition, an event of default under the Credit Facility could permit the lenders under ~~24the~~ -- **the** Credit Facility to terminate all commitments to extend further credit under the Credit Facility. Furthermore, if we were unable to repay the amounts due and payable under the Credit Facility, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our lender accelerates the repayment of our borrowings, we may not have sufficient assets to repay that indebtedness. You should read our more detailed descriptions of the Credit Facility set forth in this ~~annual report~~ **10- K** and in our filings with the **SEC** ~~Securities and Exchange Commission~~ , as well as **credit agreements** ~~the documents themselves~~ which are also filed **with the SEC** ~~as exhibits to this annual report~~ , for further information about these covenants. Government efforts to combat inflation, along with other interest rate pressures arising from an inflationary economic environment, could lead to us to incur even higher interest rates and financing costs. Inflation has risen on a global basis, the United States has been experiencing historically high levels of inflation, and government entities have taken various actions to combat inflation, such as raising interest rate benchmarks. Government entities may continue their efforts, or implement additional efforts, to combat inflation, which could include among other things continuing to raise interest rate benchmarks and / or maintaining interest rate benchmarks at elevated levels. Such government efforts, along with other interest rate pressures arising from an inflationary economic environment, could lead to us to incur even higher interest rates and financing costs on our credit line with Bank of America and have material adverse effect on our business, financial condition and results of operations. Our current or future borrowings subject to variable rates of interest;● require that materially adverse terms,conditions,or covenants be placed on us under our debt instruments,which could include,for example,limitations on additional borrowings or limitations on our ability to create liens,pay dividends,repurchase our common stock or make investments,any of which could hinder our access to capital markets or our flexibility in the conduct of our business and make us more vulnerable to economic downturns and adverse competitive industry conditions; ~~and~~ **and29** ● jeopardize our ability to pay our indebtedness if our business experienced a severe downturn.If we were unable to obtain or service our other external financings,or if the restrictions imposed by such financing were too burdensome,our business would be harmed.Due to success is dependent on the efforts and dedication of our officers and other employees. Our officers and employees are at the heart of all our efforts. It is their skill, innovation and hard work that drive our success. We compete with many other potential employers in recruiting, hiring, and retaining our management team and our many other skilled ~~officers~~ **26officers** and employees around the world. The increasing prevalence of remote work creates further challenges in retaining employees as some employees desire more flexibility in their employment and the ability to work remotely opens up more employment opportunities. The impact of failing to retain key employees can be high due to loss of key knowledge and relationships, loss of creative talent, lost productivity, hiring and training costs, all of which could result in lower profitability. We cannot guarantee that we will recruit, hire or retain the key personnel we need to succeed. Our future success will depend on the leadership of our key executives such as Mr. Bruce Ogilvie, our Executive Chairman, and Mr. Jeff Walker, our Chief Executive Officer. Mr. Ogilvie and Mr. Walker are executives of other companies, including GameFly Holdings, Inc. GameFly is a customer of Alliance. Alliance uses GameFly' s Lakewood, California warehouse to ship and fulfill products for Alliance' s customers. A ~~Conflict~~ **conflict** of interest may arise with respect to their allocation of business time and such conflicts may not be resolved in Alliance' s favor. Our loss of key management or other employees, inability to drive success through our new leaders, or our inability to retain or hire talented people with the skill sets we need for our diverse and changing business, could significantly harm our business. If we fail to develop diverse top talent, we may be unable to compete, and our business may be harmed. To compete successfully, we must continuously develop a diverse group of talented people. We promote a diverse and inclusive work environment. To that end, we have set goals and objectives with respect to hiring and retention of talented, diverse employees, who we believe will foster new ideas and perspectives that will benefit our business. Competition for diverse talent is intense. We cannot guarantee we will achieve our goals or that our actions will result in expected benefits to our business. Alliance has engaged in transactions with related parties, and such transactions present possible conflicts of interest that could have an adverse effect on our business and results of operations. Alliance has entered ~~into~~ transactions with related parties, including our two principal stockholders. We have entered into transactions with companies owned by Bruce Ogilvie and Jeffrey Walker, including ~~Gamefly~~ **GameFly** Holdings, LLC. For the **year** ~~six months~~ ended ~~December 31~~ **June 30** , **2023 and** 2022 ~~, and 2021~~ , Alliance made sales of new release movies, video games, and video game consoles to GameFly Holdings

LLC in the amount of $ **16** ~~2. 3 million and $ 4~~ . 8 million ~~respectively. During the years ended June 30, 2022, 2021~~ and ~~2020, Alliance made sales of new release movies, video games, and video game consoles to GameFly Holdings LLC in the amount of~~ $ 7. ~~1 million, $ 5. 3 million, and $ 2.~~ 5 million ~~,~~ respectively. GameFly, a customer of Alliance, is equally owned by Bruce Ogilvie and Jeff Walker, the two shareholders of Alliance. Alliance believes the amounts payable to GameFly are at fair market value. Although the agreement between Alliance and GameFly can be terminated by either party at any time, given Mr. Ogilvie' s and Mr. Walker' s ~~25positions~~ -- **positions** with Alliance as Executive Chairman and Chief Executive Officer, respectively **. On September 13, 2023 certain subsidiaries of the Company, as Borrowers entered into Amendment No. 13 to the Credit Facility. Amendment No. 13 provides for the waiver by Bank of America and the Required Lenders (as defined in the Credit Facility) of certain specified events of default under the Credit Facility, including a favored Equipment Lease Guaranty with Fifth Third Bank and short- term loans known as Ogilvie Loan Transactions ranging from $ 7. 6 million to $ 17. 0 million during the months of June, July and August, 2023. The parties acknowledge these are breaches of the covenants of the Credit Facility; however, the borrowers have requested, and the Lenders have agreed to waive the Specified Events of Default and amend the Credit Facility and extend the Revolver Termination Date for a period of 93 days to December 31, 2023** . We may in the future enter into additional transactions with entities in which majority shareholders, executive officers and members of our board of directors and other related parties hold ownership interests. See " Certain Relationships and Related Party Transactions. " Transactions with such related parties present potential for conflicts of interest, as the interests of the third- party owned related entity and its shareholders may not align with the interests of our stockholders with respect to the negotiation of, and certain other matters. For example, conflicts of interest may arise in connection with decisions regarding the structure and terms of the GameFly contract, contractual remedies, events of default and dealings with customers. Pursuant to our related party transactions policy, all additional material related party transactions that we enter into require either (i) the unanimous consent of our audit committee or (ii) the approval of a majority of the members of our board of directors. See " Certain Relationships and Related Party Transactions — Policies and Procedures for Related Party Transactions ". Nevertheless, we may have achieved more favorable terms if such transactions had not been entered into with related parties and these transactions, individually or in the aggregate, may have an adverse effect on our business and results of operations or may result in government enforcement actions or other litigation. ~~securities~~ laws.Their limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities which will result in less time being devoted to the management and growth of Alliance.Alliance may not have adequate personnel with the appropriate level of knowledge,experience,and training in the accounting policies,practices or internal controls over financial reporting required of public companies in the United States.The development and implementation of the standards and controls necessary for Alliance to achieve the level of accounting standards required of a public company in the United States may require costs greater than expected.It is possible that Alliance will be required to expand its employee base and hire additional employees to support its operations as a public company ~~,~~ which will increase its operating costs in future periods **.34The** Our **Technology and Intellectual PropertyOur** business may be harmed if we are unable to protect our critical intellectual property rights. Our intellectual property, including our trademarks and tradenames, copyrights, patents, and rights under our license agreements and other agreements that establish our intellectual property rights and maintain the confidentiality of our intellectual property, is of critical value. We rely on a combination of trade secret, copyright, trademark, patent and other proprietary rights laws to protect our rights to valuable intellectual property in the U. S. and around the world. From time to time, third parties have challenged, and may in the future try to challenge, our ownership of our intellectual property in the U. S. and around the world. In addition, our business is subject to the risk of third parties counterfeiting our products or infringing on our intellectual property rights, as well as the risk of unauthorized third parties copying and distributing our entertainment content or leaking portions of planned entertainment content. We may need to resort to litigation to protect our intellectual property rights, which could result in substantial costs and diversion of resources. Similarly, third parties may claim ownership over certain aspects of our products, productions or other intellectual property. Our failure to successfully protect our intellectual property rights could significantly harm our business and competitive position. Failure to successfully operate our information systems and implement new technology effectively could disrupt our business or reduce our sales or profitability. We rely extensively on various information technology systems and software applications to manage many aspects of our business, including product development, management of our supply chain, sale and delivery of our products, royalty and financial reporting and various other processes and transactions. We are critically dependent on the integrity, security and consistent operations of these systems and related back- up systems. These systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, malware and other cybersecurity breaches, catastrophic events such as hurricanes, fires, floods, earthquakes, tornadoes, acts of war or terrorism and usage errors by our employees or partners. The efficient operation and successful growth of our business depends on these information systems, including our ability to operate them effectively and to select and implement appropriate upgrades or new technologies and systems and adequate disaster recovery systems successfully. The failure of our information systems or third- party hosted technology to perform as designed or our failure to implement and operate them effectively could disrupt our business, require significant capital investments to remediate a problem or subject us to liability. If our electronic data is compromised our business could be significantly harmed. We and our business partners maintain significant amounts of data electronically in locations around the United States and in the cloud. This data relates to all aspects of our business, including current and future products and entertainment under development, and also contains certain customer, consumer, supplier, partner and employee data. We maintain systems and processes designed to protect this data, but notwithstanding such protective measures, there is a risk of intrusion, cyber- attacks or tampering that could compromise the integrity and privacy of this data. Cyber- attacks are increasing in their frequency, sophistication **,** and intensity, and are becoming increasingly difficult to detect. They are often carried out by motivated, well- resourced, skilled **,** and persistent actors, including nation states, organized crime groups, " hacktivists " and employees or contractors acting with malicious intent. Cyber- attacks could include the deployment of harmful malware and key loggers, ransomware, a denial- of-service attack, a malicious website, the use of social engineering and other means to affect the confidentiality, integrity and availability of our technology systems and data. Cyber- attacks ~~26could~~ **28could** also include supply chain attacks, which could cause a delay in the manufacturing of our products. In addition, we provide confidential and proprietary information to our third-party business partners in certain cases where doing so is necessary to conduct our business. While we obtain assurances from those parties that they have systems and processes in place to protect such data, and where applicable, that they will take steps to assure the protections of such data by third parties, those partners may also be subject to data intrusion or otherwise compromise the protection of such data. Any compromise of the confidential data of our customers, consumers, suppliers, partners, employees or ourselves, or failure to prevent or mitigate the loss of or damage to this data through breach of our information technology systems or other means could substantially disrupt our operations, harm our customers, consumers, employees and other business partners, damage our reputation, violate applicable laws and regulations, subject us to potentially significant costs and liabilities and result in a loss of business that could be material. ~~The~~ **Risks Related to Matters Outside our Control That May Impact Our BusinessThe** global coronavirus outbreak or other similar outbreaks of communicable infections, diseases, or public health pandemics in the markets in which we and our employees, consumers, customers, partners, licensees, suppliers and manufacturers operate, could substantially harm our business. The global outbreak of the coronavirus which continues to adversely impact global populations, and any other variants or outbreaks of communicable infections, diseases or other adverse public health conditions in markets in which we, our employees, consumers, customers, partners, licensees, licensors, suppliers and manufacturers operate, could have a significant negative impact on our business, revenues and profitability. The occurrence of these types of events can result, and in the case of the coronavirus has resulted in, disruptions and damage to our business, caused by a number of factors: ● difficulties in shipping and distributing products due to ongoing port capacity, and labor, shipping container and truck transportation shortages, resulting in higher costs for both ocean and air freight and delays in the availability of products, which can result in delayed sales and in some cases result in lost sales. ● disruptions in supply of products, due to closures or reductions in operations at third- party manufacturing facilities across several geographies including, but not limited to, China, Vietnam, and the United States ~~;~~ **.** ● adverse sales impact due to changes in consumer purchasing behavior and availability of products to consumers, resulting from retail store closures, limited reopening of retail stores and limitations on the capacity of ecommerce channels to supply additional products ~~;~~ **.** ● fluctuations in our performance based on the progress of different countries in controlling the coronavirus and the maturity of e- commerce platforms in those markets ~~;~~ **.** ● limited production of live ~~-~~action scripted and unscripted entertainment content due to the hard stop and soft reopening of production studios ~~;~~ **.** ● delays or postponements of entertainment productions and releases of entertainment content both internally and by our partners ~~;~~ **.** ● increases in entertainment production costs due to measures required to minimize COVID- 19 risks; and ● challenges of working remotely. We have reopened our offices, providing employees **with** flexibility in their return to the office by working partially in the office and partially remote. We have taken measures to safely bring additional workers back to the office, including a return to fully remote work when variants emerge which increase infection rates significantly in areas where we do business. The transition back from fully remote work to partial remote and partial in person may be difficult for some employees. We are actively soliciting feedback and making modifications to provide our employees with a productive and safe environment, and plan to continue to monitor employee efficiency, satisfaction, and morale as we continue to transition. There can be no assurance that employees will not have some disruption in their work due to the transition. Changes in flexible working arrangements could impact employee retention, employees' productivity **,** and morale, strain our technology resources and introduce operational risks. Additionally, the risk of cyber- attacks or ~~other~~ **29other** privacy or data security incidents may be heightened as a result of our moving increasingly towards a remote working environment, which may be less secure and more susceptible to hacking attacks. ~~The impact of coronavirus outbreak continues to be fluid and uncertain, and while vaccines are being rolled out, it is still difficult to forecast the final impact it could have on our future operations. If our business experiences prolonged occurrence of adverse public health conditions due to the coronavirus or other similar outbreaks, we believe our business could be substantially harmed. 27Adverse~~ -- **Adverse** economic conditions in the markets in which we and our employees, consumers, customers, suppliers and manufacturers operate could negatively impact our ability to produce and ship our products, and lower our revenues, margins and profitability. Various economic conditions in the markets we, our employees, consumers, customers, suppliers and manufacturers operate, could have a significant negative impact on our revenues, profitability and business. The occurrence of adverse economic conditions can result in manufacturing and other work stoppages, slowdowns and delays; shortages or delays in production or shipment of products or raw materials; delays or reduced purchases from customers and consumers; and other factors that cause increases in costs or delay in revenues. Inflation, such as what consumers in the U. S. and other economies are experiencing, can cause significant increases in the costs of other products which are required by consumers, such as gasoline, home heating fuels, or groceries, may reduce household spending on the discretionary products and entertainment we offer. Weakened economic conditions, higher interest rates, lowered employment levels or recessions may also significantly reduce consumer purchases of our products and spending on entertainment. Economic conditions may also be negatively impacted by terrorist attacks, wars and other conflicts, such as the war in Ukraine, natural disasters, increases in critical commodity prices or labor costs, or the prospect of such events. Such a weakened economic and business climate, as well as consumer uncertainty created by such a climate, could significantly harm our revenues and profitability. Our success and profitability not only depend on consumer demand for our products, but also on our ability to produce and sell those products at costs which allow ~~for~~ us to make a profit. Rising fuel and raw material prices, due to inflation or otherwise, for paperboard and other components such as resin used in plastics or electronic components, increased transportation and shipping costs, and increased labor costs in the markets in which our products are manufactured all may increase the costs we incur to produce and transport our products, which in turn may reduce our margins, reduce our profitability and harm our business. Changes in U. S., global or regional economic conditions could harm our business and financial performance. Our financial performance is impacted by the level of discretionary consumer spending in the markets in which we operate. Reductions in stimulus payments provided to consumers, high inflation and rising interest rates on credit cards could impact discretionary spending. Recessions, credit crises and other economic downturns, or disruptions in credit and financial markets in the U. S. and in other markets in which we operate can result in lower levels of economic activity, lower employment levels, less consumer disposable income, and lower consumer confidence. Similarly, reductions in the value of key assets held by consumers, such as their homes or stock market investments, can lower consumer confidence and consumer spending power. Any of these factors can reduce the amount which consumers spend on the purchase of our products and entertainment. This in turn can reduce our revenues and harm our financial performance and profitability . Our quarterly and annual operating results...... can significantly impact our reported financial performance . Our small global operations mean we transact business in many different jurisdictions with many different currencies. As a result, if the exchange rate between the U. S. dollar and a local currency for an international market in which we have significant sales or operations changes, our financial results as reported in U. S. dollars, may be meaningfully impacted even if our business in the local currency is not significantly affected. Similarly, our expenses can be significantly impacted, in U. S. dollar terms, by exchange rates, meaning the profitability of our business in U. S. dollar terms can be negatively impacted by exchange rate movements which we do not control. Depreciation in key currencies may have a significant negative impact on our revenues and earnings as they are reported in U. S. dollars. Our ~~indebtedness~~ **quarterly and annual operating results** may ~~limit~~ **fluctuate due to seasonality in** our **business and union strikes impacting the** availability of **content. Sales of** ~~cash, cause us to divert cash to fund debt service payments or~~ **our** ~~make it more difficult to take certain~~ **music, video movies, video games and** other **entertainment products are seasonal,** ~~actions. We operate the business~~ with an ~~asset- are seasonal,with an~~ increase of retail sales occurring during the period from September through December for the holiday season.This seasonality for our consumer products business has increased over time,as retailers become more and more efficient in their control of inventory levels through quick response or just in time inventory management techniques,including the use of automated inventory replenishment programs.Further,ecommerce continues to grow significantly and accounts for a higher portion of the ultimate sales of our products to consumers.Ecommerce retailers tend to hold less inventory and take inventory closer to the time of sale to consumers than traditional retailers.As a result,customers are timing their orders so that they are being ~~filled~~ **fulfilled** by suppliers,such as us,closer to the time of purchase by consumers.While these techniques reduce a retailer' s investment in inventory,they increase pressure on suppliers like us to fill orders ~~promptly~~ **30promptly** and thereby shift a significant portion of inventory risk and carrying costs to the supplier.This can also result in our losing significant revenues and earnings if our supply chain is unable to supply product to our customers when they want it.The level of inventory carried by retailers may also reduce or delay retail sales resulting in lower revenues for us.If we or our customers determine that one of our products is more popular at retail than was originally anticipated,we may not have sufficient time to procure and ship enough additional products to fully meet consumer demand.Additionally,the logistics of supplying more product within shorter time periods increases the risk that we will fail to achieve tight and compressed shipping schedules,which also may reduce our sales and harm our financial performance. ~~These risks have been~~ **Our entertainment business is also subject to seasonal variations** based ~~line~~ **on the timing** of ~~credit to fund~~ **music, television, film, gaming content releases. Release dates are determined by several factors, including the timing of holiday periods, geographical release dates and competition in the market. Additionally, the SAG AFTRA strike has created a lack of content for CDs, DVDs and other entertainment sectors. This could negatively effect our business. This seasonal pattern of our business requires significant use of** working capital **, mainly** to ~~support our Accounts Receivables and our Inventory purchases~~ - **purchase inventory during the months prior to the holiday season and requires accurate forecasting of demand for products during the holiday season in order to avoid losing potential sales of popular products or producing excess inventory of products that are less popular with consumers** . Our ~~debt service obligations under such indebtedness~~ **failure to accurately predict and respond to consumer demand, resulting in underproducing popular items and / or overproducing less popular items,** ~~could~~ **would** ~~have a material adverse effect on~~ **reduce our total sales and harm** our results of operations ~~and financial condition~~ . **As** ~~In particular, our indebtedness could: • make it more difficult and / or costly for us to pay or refinance our debts as they become due, particularly during adverse economic and industry conditions, because~~ a ~~decrease in revenues or increase in costs could cause cash flow from operations to be insufficient to make scheduled debt service payments; • require a substantial portion of our available cash to be used for debt service payments, thereby reducing the availability of our cash to fund working capital, capital expenditures, development projects, acquisitions or other strategic opportunities, dividend payments, share repurchases and other general corporate purposes; • make it more difficult for us to raise capital to fund working capital, make capital expenditures, pay dividends, pursue strategic initiatives or for other purposes and~~ result ~~in higher interest expense, which could be further increased in case~~ of current or future borrowings subject to variable...... business would be harmed. Due to the seasonal nature of our business, ~~in order to meet our working capital needs, particularly those in the second and third quarters of each year, we rely on a revolving credit agreement which provides for a $ 225, 000, 000 committed revolving asset- based loan Credit Facility. The Credit Facility contains certain restrictive covenants setting forth leverage and coverage requirements, and certain other limitations typical of an investment grade facility. These restrictive covenants may limit our future actions as well as our financial, operating, and strategic flexibility. Additionally, as disclosed in our consolidated financial statements as of and for the year ended June 30, 2022, the Company received a waiver from the lender for non- compliance with certain non- financial covenants as of June 30, 2022, July 31, 2022, and August 31, 2022. Non- compliance with our debt covenants in the future could result in us being unable to utilize borrowings under the Credit Facility and other bank lines, a circumstance which potentially could occur when operating shortfalls would require supplementary borrowings to enable us to continue to fund our operations. Alliance recently failed to meet the covenant requirements of the Credit Facility, being notified on February 8, 2023 that a fixed charge coverage~~

~~ratio has been recently breached, with the letter indicating that is subject to a deferred action by the lender. The Company is in negotiations with its lender to obtain a waiver for non- compliance. Not only may our individual financial performance impact our ability to access sources of external financing, but significant disruptions to credit markets in general may also harm our ability to obtain financing. In times of severe economic downturn and / or distress in the credit markets, it is possible that one or more sources of external financing may be unable or unwilling to provide funding to us. In such a situation, it may be that~~ we would be ~~unable~~ **significantly and adversely affected, in a manner disproportionate** to ~~access funding under~~ **the impact on a company with sales spread more evenly throughout the year, by unforeseen events such as a natural disaster, a terrorist attack, economic shock** ~~our~~ - **or pandemic that harms the retail environment** ~~existing credit facilities, and it might not be possible to find alternative sources of funding. We also may choose to finance our~~ - **or** ~~capital needs~~ **consumer buying patterns during our key selling season** , **or by events such as strikes or port delays or other supply chain challenges that interfere with the shipment of goods, particularly** from ~~time to time, through the issuance of debt securities. Our ability to issue such securities on satisfactory terms, if at all, will depend on the state of our business and financial condition, any ratings issued by major credit rating agencies, market interest rates, and the overall condition of the financial and credit markets at the time of the offering. The condition of the credit markets and prevailing interest rates have fluctuated significantly in the past and are likely to fluctuate in the future. Variations in these~~ -- **the Far East** ~~factors could make it difficult for us to sell debt securities or require us to offer higher interest rates in order to sell new debt securities. The failure to receive financing on desirable terms~~ , **during** ~~or at all, could damage our ability to support our future operations or capital needs or engage in other~~ -- **the critical months leading up** ~~business activities. If we are unable~~ to **the holiday shopping season** ~~generate sufficient available cash flow to service our outstanding debt, we would need to refinance our outstanding debt or face default~~ . **Risks Related** ~~We cannot guarantee that we would be able~~ to **Taxes and Government Related MattersWe** ~~refinance debt on favorable terms, or at all. We~~ face additional tax liabilities and collection obligations. Changes in, or differing interpretations of, income tax laws and rules, and changes in our geographic operating results, may impact our effective tax rate. We are subject to a variety of taxes and tax collection obligations in the U. S. (federal and state) and numerous foreign jurisdictions. We may recognize additional tax expense and be subject to additional tax liabilities, including other liabilities for tax collection obligations due to changes in laws, regulations, administrative practices, principles, and interpretations related to tax, including changes to the global tax framework, competition, and other laws and accounting rules in various jurisdictions. Such changes could come about as a result of economic, political, and other conditions. ~~An~~ **Proposals to reform U. S. and foreign tax laws could significantly impact how U. S. multinational corporations are taxed on global earnings and could increase the U. S. corporate tax rate. For example, the Organization for Economic Co- operation and Development (OECD) and the G20 Inclusive Framework on Base Erosion and Profit Shifting (the " Inclusive Framework ") has put forth two proposals — Pillar One and Pillar Two — that revise the existing profit allocation and nexus rules and ensure a minimal level of taxation, respectively. On December 12, 2022, the European Union member states agreed to implement the Inclusive Framework' s global corporate minimum tax rate of 15 %. Other countries are also actively considering changes to their tax laws to adopt certain parts of the Inclusive Framework' s proposals. Although we cannot predict whether or in what form these proposals will be enacted into law, these changes, if enacted into law, would not have a material impact on our effective tax rate, income tax expense and cash flows. On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which contained certain tax measures, including, among other items, a corporate alternative minimum tax of 15 % on some large corporations and an excise tax of 1 % on certain corporate stock buy- backs. Moreover, an** increasing number of jurisdictions are considering or have adopted laws or administrative practices that impose new tax measures, including revenue- based taxes, targeting online commerce and the remote selling of goods and services. These include new obligations to collect sales, consumption, value added, or other taxes on online marketplaces and remote sellers, or other requirements that may result in liability for third party obligations. For example, non- U. S. jurisdictions have proposed or enacted taxes on online marketplace service revenues. Proliferation of these or similar unilateral tax measures may continue unless broader international tax reform is implemented. Our results of operations and cash flows could be adversely affected by additional taxes imposed on us prospectively or retroactively or additional taxes or penalties resulting from the failure to comply with any collection obligations or failure to provide information about our customers, suppliers, and other third parties for tax reporting purposes to various government ~~agencies~~ **31agencies** . In some cases, we also may not have sufficient notice to enable us to build systems and adopt processes to properly comply with new reporting or collection obligations by the effective date. ~~30We~~ **We** are subject to income taxes in the United States and in United Kingdom tax jurisdictions. We also conduct business activities between our operating units, and we are subject to transfer pricing rules in the United Kingdom in which we operate. There is some degree of uncertainty and subjectivity in complying with transfer pricing rules. Our effective tax rate could be impacted by changes in, or the interpretation of, tax laws, such as those being considered by the current United States administration and other jurisdictions in which we do business, or by changes in the amount of revenue and earnings we derive, or are determined to derive by tax authorities, from jurisdictions with differing tax rates. In addition, we have been and may be subject to tax examinations by federal, state, and international jurisdictions, and these examinations can result in significant tax findings if the tax authorities interpret the application of laws and rules differently than we do or disagree with the intercompany rates we are applying. We assess the likelihood of outcomes resulting from tax uncertainties. While we believe our estimates are reasonable, the ultimate outcome of these uncertain tax benefits, or results of possible current or future tax examinations, may differ from our estimates and may have a significant adverse impact on our business and operating results. We are subject to various government regulations, violation of which could subject us to sanctions or otherwise harm our business. In addition, we could be the subject of future product liability suits or merchandise recalls, which could harm our business. We are subject to significant government regulations, including, in the U. S., under The Consumer Products Safety Act, The Federal Hazardous Substances Act, and The Flammable Fabrics Act, as well as under product safety and consumer protection statutes in our international markets. In addition, certain of our products are subject to regulation by the Food and Drug Administration or similar international authorities. Advertising to children is subject to regulation by the Federal Trade Commission, the Federal Communications Commission, and a host of other agencies globally, and the collection of information from children under the age of 13 is subject to the provisions of the Children’ s Online Privacy Protection Act and other privacy laws around the world. The collection of personally identifiable information from anyone, including adults, is under increasing regulation in many markets, such as the General Data Protection Regulation adopted by the European Union, and data protection laws in the United States and in a number of other counties. While we take all the steps, we believe are necessary to comply with these acts and regulations, we cannot assure you that we will be in compliance and, if we fail to comply with these requirements or other regulations enacted in the future, we could be subject to fines, liabilities or sanctions which could have a significant negative impact on our business, financial condition and results of operations. We may also be subject to involuntary product recalls or may voluntarily conduct a product recall. While costs associated with product recalls have generally not been material to our business, the costs associated with future product recalls individually or in ~~the~~ aggregate in any given fiscal year could be significant. In addition, any product recall, regardless of direct costs of the recall, may harm the reputation of our products and have a negative impact on our future revenues and results of operations. As a multinational corporation, we are subject to a host of governmental regulations throughout the world, including antitrust, employment, customs and tax requirements, anti- boycott regulations, environmental regulations, and the Foreign Corrupt Practices Act. Complying with these regulations imposes costs on us which can reduce our profitability and our failure to successfully comply with any such legal requirements could subject us to monetary liabilities and other sanctions that could further harm our business and financial condition. ~~We~~ **Risks Related to LitigationWe** may face increased costs in achieving our sustainability goals and any failure to achieve our goals could result in reputational damage. We view sustainability challenges as opportunities to innovate and continuously improve our product design and operational efficiencies. We also believe the long-term viability and health of our own operations and our supply chain, and the significant potential for environmental improvements, are critical to our business success. We have set key goals and objectives in this area as described in **our** ~~“ Item 1. Business~~ **business section of this Form 10- K** . ~~”~~ We devote significant resources and ~~expenditures~~ - **expenditure** to help achieve these goals. It is possible that we will incur significant expense in trying to achieve these goals with no assurance that we will be successful. Additionally, our reputation could be damaged if we fail ~~to~~ **32to** achieve our sustainability goals, or if we or others in our industry do not act, or are perceived not to act, responsibly with respect to the production and packaging of our products. ~~31Our~~ -- **Our** entertainment business involves risks of liability claims for media content, which could adversely affect our business, results of operations and financial condition. As a distributor of media content, we may face potential liability for defamation, invasion of privacy, negligence, copyright or trademark infringement, and other claims based on the nature and content of the materials distributed. These types of claims have been brought, sometimes successfully, against producers and distributors of media content. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, results of operation and financial condition. We are involved in litigation, arbitration or regulatory matters where the outcome is uncertain **,** and which could entail significant expense. As a larger multinational corporation, we are subject to regulatory investigations, risks related to internal controls, litigation and arbitration disputes, including potential liability from personal injury or property damage claims by the users of products that have been or may be developed by us, claims by third parties that our products infringe upon or misuse such third parties’ property or rights, or claims by former employees for employment related matters. Because the outcome of litigation, arbitration and regulatory investigations is inherently difficult to predict, it is possible that the outcome of any of these matters could entail significant cost for us and harm our business. The fact that we operate in a significant number of international markets also increases the risk that we may face legal and regulatory exposures as we attempt to comply with a large number of varying legal and regulatory requirements. Any successful claim against us could significantly harm our business, financial condition and results of operations. **In particular, on March 31, 2023, a class action complaint, titled Matthew McKnight v. Alliance Entertainment Holding Corp. f / k / a Adara Acquisition Corp., Adara Sponsor LLC, Thomas Finke, Paul G. Porter, Beatriz Acevedo- Greiff, W. Tom Donaldson III, Dylan Glenn, and Frank Quintero, was filed in the Delaware Court of Chancery against our pre- Business Combination board of directors and executive officers and the Sponsor, alleging breaches of fiduciary duties by purportedly failing to disclose certain information in connection with the Business Combination and by approving the Business Combination. We intend to vigorously defend the lawsuit. There can be no assurance, however, that we will be successful. Risks Related to Accounting MattersAlliance has identified material weaknesses in its internal controls over financial reporting. If remediation of such material weaknesses is not effective, or if we fail to develop and maintain proper and effective internal controls over financial reporting, Alliance’ s ability to produce timely and accurate financial statements, comply with applicable laws and regulations, or access the capital markets could be impaired.** Alliance has identified ~~a~~ material ~~weakness~~ **weaknesses** in **its internal controls over financial reporting. If we fail to develop and maintain proper and effective internal controls over financial reporting, Alliance’ s ability to produce timely and accurate financial statements, comply with applicable laws and regulations,** ~~our~~ - **or access the capital markets could be impaired. As a public company, Alliance is actively evaluating its** internal control over financial reporting **in** ~~due to~~ a ~~non~~ **manner that meets the standards of publicly traded companies required by Section 404 (a) of the Sarbanes** - **Oxley Act** ~~financial covenant breach and may identify additional material weaknesses in the future. If we fail to remediate the material weakness or if we otherwise fail to establish and maintain effective control over financial reporting~~ , ~~it may adversely affect our~~ - **or Section 404** ~~ability to accurately and timely report our financial results and may adversely affect investor confidence and business operations~~ . A material weakness is **defined as** a deficiency, or ~~a~~ combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. ~~We identified a~~ **Alliance is**

ultimately responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rule 13a- 15 (f) under the Securities Exchange Act of 1934. As disclosed in Item 9A, " Controls and Procedures, " management noted several material ~~weakness~~ **weaknesses** in our internal control over financial reporting ~~related to accounting for the classification of the outstanding balance of the Credit Facility, Net and a related audit adjustment to properly reflect the outstanding balance as a current liability~~ as of June 30, ~~2022~~ **2023** ~~in the consolidated financial statements included in this annual report~~ . ~~In addition~~ **Refer to " Item 9A. Control and Procedures " for a detailed discussion regarding the material weaknesses identified** , as **well as management'** ~~further described in Note 17 to the Company'~~ s ~~condensed consolidated financial statements,~~ **remediation plans. 33We are actively engaged in developing a remediation plan designed to address** ~~the~~ **these** ~~Company determined~~ **material weaknesses, however, we cannot guarantee** that ~~it incorrectly classified the revolving credit facility, net, as a non- current liability instead of as a current liability on its condensed consolidated financial statements for the three -~~ **these steps will be sufficient or** ~~months ended September 30, 2022. The Company determined~~ that ~~such financial statements were materially misstated and should be restated. As disclosed in Note 9 to the Company' s consolidated financial statements, during the second fiscal ended December 31, 2022, the Company failed to meet the Fixed Charge Coverage Ratio covenant requirement. The Company is in negotiations with its lender to obtain a waiver for non-compliance. The Company also obtained a waiver for non- compliance with one non- financial covenant related to its delivery of the monthly unaudited financial statements and compliance certificates for the periods pertaining to June 30, 2022, July 31, 2022, and August 31, 2022. We cannot provide any assurance that our lender would provide us with a waiver should~~ we **will** not ~~be in compliance~~ **have these or other material weaknesses** in the future. **If** ~~A failure to maintain compliance along with~~ our ~~lender not agreeing~~ **remedial measures are insufficient** to **address** ~~a waiver for~~ the ~~non- compliance would cause the outstanding borrowings to be in default and payable on demand which would have a~~ material **weaknesses,** ~~adverse effect on us and our -~~ **or if additional** ~~ability to continue as a going concern. Our management has concluded that this~~ material ~~weakness~~ **weaknesses** in our **disclosure controls and** internal control over financial reporting ~~is due to~~ **are discovered or occur in** the **future, our financial statements may contain material misstatements** ~~fact that Alliance is a private company with limited resources~~ and ~~did~~ **we could be required to restate our financial results. If we identify any new material weaknesses in the future, or if our remediation measures are** not **effective** ~~have the necessary business processes and related internal controls formally designed and implemented to address the accounting and financial reporting requirements related to certain non-routine transactions~~ , **any** such **newly identified or existing** ~~as the accounting implications resulting from covenant violations. Our management is in the process of developing a remediation plan and is taking steps to remediate the~~ material weakness ~~. The material weakness will be considered remediated when our management designs and implements effective controls that operate for a sufficient period of time and our management has concluded, through testing, that these controls are effective. Our management will continue to monitor the effectiveness of our remediation plan and will make the changes it determines to be appropriate. Although we 32intend to complete this remediation process as quickly as practicable, we cannot at this time estimate how long it will take, and our initiatives may not prove to be successful in remediating the material weakness. Furthermore, we cannot assure that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to our material weakness in our internal controls over financial reporting or that they will prevent or avoid potential future material weaknesses. Further, additional weaknesses in our disclosure controls and internal controls over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement~~ could limit our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports **in addition to applicable stock exchange listing requirements** , investors may lose confidence in ~~the accuracy and completeness of~~ our financial reporting ~~,~~ **and** our stock price may decline as a result ~~and it could~~ **. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will** be ~~subject~~ **sufficient** to **avoid potential future material weaknesses** ~~sanctions or investigations by the SEC or other regulatory authorities~~ . Prior to the Business Combination, Adara had accounted for its outstanding ~~warrants~~ **Warrants** as a warrant liability and **following the Business Combination,** Alliance is **now** required to determine the value warrant liability **for the Private Warrants** quarterly, which could have a material impact on Alliance' s financial position and operating results. **Included** ~~On April 12, 2021, the Acting Director of the Division of Corporation Finance and Acting Chief Accountant of the SEC together issued a statement regarding the accounting and reporting considerations for warrants issued by special purpose acquisition companies entitled " Staff Statement~~ on **Alliance** ~~Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies (the " SEC Statement "). Specifically, the SEC Statement focused on certain settlement terms and provisions related to certain tender offers following a business combination, which terms are similar to those contained in the warrant agreement governing our warrants. As a result, included on Adara~~ ' s balance sheet as of ~~December 31~~ **June 30** , ~~2021~~ **2023** , contained **elsewhere** in this ~~annual report~~ **Form 10- K** are derivative liabilities related to embedded features contained within ~~our~~ **the** ~~warrants~~ **Warrants** . Accounting Standards Codification 815, Derivatives and Hedging (" ASC 815 ") provides for the remeasurement of the fair value of such derivatives at each balance sheet date, with a resulting non- cash gain or loss related to the change in the fair value being recognized in earnings in the statements of operations. As a result of the recurring fair value measurement, our financial statements and results of operations may fluctuate quarterly based on factors which are outside of our control. Due to the recurring fair value measurement, we expect that we will recognize non- cash gains or losses on our warrants each reporting period and that the amount of such gains or losses could be material. **Following the Business Combination, although Alliance has determined that the Public Warrants are treated as equity,** Alliance is required to continue to recognize the changes in the fair value of the **Private** ~~warrants~~ **Warrants** from the prior period, if any, in its operating results for the current period, which could have a material impact on Alliance' s financial position and operating results. We will incur ~~significant~~

significantly increased expenses and administrative burdens as a public company, which could negatively impact our business, financial condition, and results of operations. As a public company, we ~~will~~ face increased legal, accounting, administrative and other costs, and expenses as a public company that we did not incur as a private company. The Sarbanes- Oxley Act, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations promulgated and to be promulgated thereunder, the PCAOB and the securities exchanges, impose additional reporting and other obligations on public companies. Compliance with public company requirements ~~will~~ **have** ~~increase~~ **increased** costs and ~~make~~ **made** certain activities more time- consuming. A number of those requirements ~~will~~ require Alliance to carry out activities Alliance ~~has~~ **had** not done previously. For example, Alliance ~~will create~~ **created** new board committees and **has** ~~adopt~~ **adopted** new internal controls and disclosure controls and procedures. In addition, expenses associated with SEC reporting requirements ~~will be~~ **have been** incurred. Furthermore, ~~if any~~ issues in complying with those requirements ~~are~~ **have been** identified ~~(for~~ **, and Alliance has incurred additional costs in connection with remediation of such compliance issues. As an** example, **management has** ~~if the auditors identify~~ **identified** ~~a~~ material ~~weakness~~ **weaknesses in** ~~or~~ **our** ~~significant deficiency in the~~ internal control over financial reporting ~~)~~ **. There may be additional material weaknesses** , **or a significant deficiency in the future.** Alliance could incur additional costs rectifying those issues, and the existence of those issues could adversely affect Alliance’ s reputation or investor perceptions of it. It may also be more expensive to obtain director and officer liability insurance. Risks associated with Alliance’ s status as a public company may make it more difficult to attract and retain qualified ~~persons~~ **people** to serve on Alliance’ s board of directors or as executive officers. The additional reporting and other obligations imposed by these rules and regulations ~~will~~ **have** ~~increase~~ **increased** legal and financial compliance costs and the costs of related legal, accounting, and administrative activities **, and may continue to do so** . These increased costs ~~will~~ require Alliance to divert a significant amount of ~~money~~ **funds** that could otherwise be used to expand the business and achieve strategic objectives. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase **these related** costs. ~~33Alliance~~ **34Alliance** ’ s failure to timely and effectively implement controls and procedures required by Section 404 (a) of the Sarbanes- Oxley Act could negatively impact its business. **For the current fiscal year,** Alliance **Entertainment has opted** ~~is currently not subject~~ to **take advantage of staff guidance to omit management' s certification and the auditor' s report required by** Section 404 of the Sarbanes- Oxley Act. However, ~~upon~~ **it is important to note that, if** Alliance **does** ~~no~~ **not** ~~longer qualifying~~ --- **qualify** as a “ ~~smaller reporting~~ **non- accelerated filer ” or an “ emerging growth** company, ” Alliance will be required to provide ~~‘ s~~ attestation on internal controls. The standards required for a public company under Section 404 (a) of the Sarbanes- Oxley Act are significantly more stringent than those required of Alliance as a privately held company. We may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements applicable to us after the Business Combination. If Alliance is not able to implement the additional requirements of Section 404 (a) in a timely manner or with adequate compliance, it may not be able to assess whether its internal controls over financial reporting are effective, which may subject it to adverse regulatory consequences and could harm investor confidence and the market price of its securities. Since Alliance **currently** qualifies as an “ emerging growth company ” and **a** “ smaller reporting company ” within the meaning of the Securities Act ~~and takes advantage of certain exemptions from disclosure requirements available to emerging growth companies~~ , it could make Alliance’ s securities less attractive to investors and may make it more difficult to compare Alliance’ s performance to the performance of other public companies. Alliance qualifies as an “ emerging growth company ” **and a “ smaller reporting company ”** as defined in **Rule 405 promulgated under** ~~Section 2 (a) (19) of~~ the Securities Act ~~, as modified by~~ **and Rule12b- 2 promulgated under** the ~~JOBS~~ **Exchange** Act ~~i~~ . As such, Alliance will be eligible for and intends to take advantage of certain exemptions from various reporting requirements applicable to other public companies ~~that are not emerging growth companies for as long as it continues to be an emerging growth company~~ , including (a) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404 (b) of the Sarbanes- Oxley Act, (b) the exemptions from say- on- pay, say- on- frequency and say- on- golden parachute voting requirements and (c) reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements. Alliance will remain an emerging growth company ~~until~~ **through** the ~~earliest~~ **filing** of **this Form 10** ~~(i) the last day of the fiscal year in which the market value of our Class A common stock that is held by non -~~ **K** ~~affiliates exceeds $ 700 million as of June 30 of that fiscal year~~ , **since Alliance** ~~(ii) the last day of the fiscal year in which it has~~ total annual gross revenue of **in excess of** $ 1. 235 billion ~~or more~~ during ~~such~~ fiscal year **ended June 30, 2023** (as indexed for inflation) ~~, (iii) the date on which it has issued more than $ 1 billion in non- convertible debt in the prior three- year period or (iv) December 31, 2026~~ . In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7 (a) (2) (B) of the Securities Act as long as Alliance is an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies **, which Alliance will not be able to do for its next fiscal year** . Even after Alliance no longer qualifies as an emerging growth company, it may still qualify as a “ smaller reporting company **” or “ non- accelerated filer** , ” which would allow it to continue to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements, Section 404 of the Sarbanes- Oxley Act and reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements. Moreover, smaller reporting companies may choose to present only the two most recent fiscal years of audited financial statements in their Annual Reports on Form 10- K. Alliance ~~does~~ **did** not ~~expect to~~ continue to qualify as an emerging growth company ~~following~~ **after** its June 30, 2023 **,** fiscal year end **as its revenues had exceeded $ 1. 235 billion. Furthermore, since Alliance' s public float had exceeded $ 75 million as of December 31, 2022, and it had revenues greater than $ 100 million, Alliance became an accelerated filer as of June 30, 2023, but continued to qualify as a smaller reporting company until its public float as of**

the end of its second fiscal quarter exceeded $ 250 million, regardless of the level of its revenues . Investors may find the Class A common stock less attractive because Alliance will rely on these exemptions, which may result in a less active trading market for our Class A common stock and its price may be more volatile. **Risks Related** ~~Alliance' s management has limited experience in operating a public company. Alliance' s executive officers have limited experience in the management of a publicly traded company. Alliance' s management team may not successfully or effectively manage its transition~~ to **Our** ~~a public company that will be subject to significant regulatory oversight and reporting obligations under federal securities~~ **SecuritiesThe** laws. Their limited experience in dealing...... operating costs in future periods. 34The warrant agreement designates the courts of the State of New York or the United States District Court for the Southern District of New York as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by holders of the ~~warrants~~ **Warrants** , which could limit the ability of warrant holders to obtain a favorable judicial forum for disputes with Alliance. The warrant agreement provides that, subject to applicable law, (i) any action, proceeding or claim against us arising out of or relating in any way to the warrant agreement, including under the Securities Act, will be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York, and (ii) that we irrevocably submit to ~~such~~ **35such** jurisdiction, which jurisdiction shall be the exclusive forum for any such action, proceeding or claim. Alliance will waive any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Notwithstanding the foregoing, these provisions of the warrant agreement do not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States of America are the sole and exclusive forum. Any person or entity purchasing or otherwise acquiring any interest in any of the ~~warrants~~ **Warrants** shall be deemed to have notice of and to have consented to the forum provisions in the warrant agreement. If any action, the subject matter of which is within the scope the forum provisions of the warrant agreement, is filed in a court other than a court of the State of New York or the United States District Court for the Southern District of New York (a " foreign action ") in the name of any holder of the ~~warrants~~ **Warrants** , such holder shall be deemed to have consented to: (x) the personal jurisdiction of the state and federal courts located in the State of New York in connection with any action brought in any such court to enforce the forum provisions (an " enforcement action "), and (y) having service of process made upon such warrant holder in any such enforcement action by service upon such warrant holder' s counsel in the foreign action as agent for such warrant holder. This choice ~~-~~of ~~-~~forum provision may limit a warrant holder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with our company, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our warrant agreement inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, Alliance may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and board of directors. Alliance may redeem unexpired ~~warrants~~ **Warrants** prior to their exercise at a time that is disadvantageous to a ~~warrant~~ **Warrant** holder, thereby making the ~~warrants~~ **Warrants** worthless. Alliance has the ability to redeem outstanding ~~warrants~~ **Warrants** at any time after they become exercisable and prior to their expiration, at a price of $ 0. 01 per warrant, provided that the last reported sales price of the Class A common stock equals or exceeds $ 18. 00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within a 30 trading- day period commencing once the warrants become exercisable and ending on the third trading day prior to the date on which Alliance gives proper notice of such redemption and provided certain other conditions are met. If and when the ~~warrants~~ **Warrants** become redeemable, Alliance may not exercise our redemption right if the issuance of shares of common stock upon exercise of the ~~warrants~~ **Warrants** is not exempt from registration or qualification under applicable state blue sky laws or it is unable to ~~effect~~ **affect** such registration or qualification. Alliance will use its best efforts to register or qualify such shares of Class A common stock under the blue- sky laws of the state of residence in those states in which the ~~warrants~~ **Warrants** were offered in the IPO **, if necessary** . Redemption of the outstanding warrants could force holders (i) to exercise ~~your~~ **the** ~~warrants~~ **Warrants** and pay the exercise price therefor at a time when it may be disadvantageous for ~~you~~ **a holder** to do so, (ii) to sell ~~warrants~~ **Warrants** at the then- current market price when the holder might otherwise wish to hold ~~warrants~~ **Warrants** or (iii) to accept the nominal redemption price which, at the time the outstanding ~~warrants~~ **Warrants** are called for redemption, is likely to be substantially less than the market value of the ~~warrants~~ **Warrants** . None of the ~~private~~ **Private** ~~warrants~~ **Warrants are** ~~will be~~ redeemable by Alliance so long as they are held by the Sponsor or its permitted transferees. If ~~warrant~~ **Warrant** holders exercise ~~public~~ **Public** ~~warrants~~ **Warrants** on a " cashless basis, " they will receive fewer shares of Alliance common stock from such exercise than if you were to exercise such warrants for cash. There are circumstances in which the exercise of the ~~public~~ **Public** ~~warrants~~ **Warrants** may be required or permitted to be made on a cashless basis. First, if a registration statement covering the shares of Class A common stock issuable upon exercise of the ~~warrants~~ **Warrants** is not effective by **a specified date** ~~April 11, 2023~~ , warrant holders may, until such time as there is an effective registration statement, exercise warrants on a cashless basis in accordance with Section 3 (a) (9) of the Securities Act or another exemption. Second, if a registration statement covering the Class A common stock issuable upon exercise of the warrants is not effective within a specified period following the consummation of ~~35the~~ -- **the** Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when Alliance shall have failed to maintain an effective registration statement, exercise ~~warrants~~ **Warrants** on a cashless basis pursuant to the exemption provided by Section 3 (a) (9) of the Securities Act, provided that such exemption is available; if that exemption, or another exemption, is not available, holders will not be able to exercise their ~~warrants~~ **Warrants** on a cashless basis. ~~Third~~ **36Third** , if Alliance calls the ~~public~~ **Public** ~~warrants~~ **Warrants** for redemption, Alliance' s management will have the option to require all holders that wish to exercise ~~warrants~~ **Warrants** to do so on a cashless basis. In the event of an exercise on a cashless basis, a holder would pay the ~~warrant~~ **Warrant** exercise price by surrendering the ~~warrants~~ **Warrants** for that number of shares of Class A common stock equal to the quotient obtained by dividing (x) the product of the number of shares of Class A common stock underlying the ~~warrants~~ **Warrants** , multiplied by the difference between the exercise price of the ~~warrants~~ **Warrants** and the " fair market value " (as defined in the next sentence) by (y) the fair market value. The " fair market value " for this purpose shall mean the average reported last sale price of the Class A common stock for the ten trading days ending on the third trading day prior to the date on which the notice of exercise is received by the warrant agent or on which the notice of redemption is sent to the holders of ~~warrants~~ **Warrants** , as applicable. As a result, you would receive fewer shares of Class A common stock from such exercise than if you were to exercise such warrants for cash. ~~Risks Related~~ **The receipt of cash proceeds from the exercise of our Warrants is dependent upon the market price exceeding the $ 11. 50 exercise price and the Warrants being exercised for cash. The receipt of cash proceeds from the exercise of our Warrants is dependent upon the market price exceeding the $ 11. 50 exercise price and the Warrants being exercised for cash. The $ 11. 50 exercise price per share of the Warrants is considerably higher than the $ 1. 32 closing sale price of the Class A common stock on October 17, 2023. If the price of our Class A Common Stock remains below the respective Warrant exercise prices per share, we believe warrant holders will be unlikely** to ~~Our SecuritiesConcentration~~ **cash exercise their Warrants, resulting in little or no cash proceeds to us. In addition, we may lower the exercise price of the Warrants in accordance with the Warrant Agreement to induce the holders to exercise such warrants. We may effect such a reduction in exercise price without the consent of such warrant holders and such reduction would decrease the maximum amount of cash proceeds we would receive upon the exercise in full of the Warrants for cash. Further, the holders of the Private Warrants and the Underwriter Warrants may exercise such Warrants on a cashless basis at any time and the holders of the Public Warrants may exercise such Warrants on a cashless basis at any time a registration statement is not effective, and a prospectus is not currently available for the issuance of shares of Class A common stock upon such exercise. Accordingly, we would not receive any proceeds from a cashless exercise of Warrants. Concentration** of ownership among Alliance' s executive officers, directors and their affiliates may prevent new investors from influencing significant corporate decisions. As of ~~March 29, 2023~~ **the date of this Form 10- K** , the executive officers and directors and their affiliates collectively beneficially owned, directly, or indirectly, excluding ~~Class E common stock~~ **the Contingent Consideration Shares** , approximately 97 **. 9** % of the outstanding Class A common stock. As a result, these stockholders are able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, appointment and removal of officers, any amendment of our Certificate of Incorporation and approval of mergers and other business combination transactions requiring stockholder approval, including proposed transactions that would result in Alliance' s stockholders receiving a premium price for their shares and other significant corporate transactions. This control could have the effect of delaying or preventing a change of control or changes in and will make the approval of certain transactions difficult or impossible without the support of these stockholders. An active trading market may not develop for our securities **, and you may not be able to sell your Class A common stock at or above the price per share for which you purchased it** . Our Class A common stock ~~is~~ **was** quoted on the OTC Pink Open Market ~~. We have applied~~ **until September 2023, when we started** to ~~list our~~ **trade on the Nasdaq Capital Market as of June 30, 2023. Our shares of** Class A common stock **are thinly traded** ~~on the Nasdaq Capital Market. However~~ , **and** we cannot predict **when** ~~the~~ **there** ~~extent to which investor interest in our company~~ will **be** ~~lead to the development of~~ an active trading market in our Class A common stock or how liquid that market might become. If such a market does not develop or is not sustained, it may be difficult for you to sell your shares of Class A common stock at the time you wish to sell them, at a price that is attractive to you, or at all. The trading market for our Class A common stock in the future could be subject to wide fluctuations in response to several factors, including, but not limited to: ● actual or anticipated variations in our results of operations ~~;~~ **.** ● our ability or inability to generate revenues or profit ~~;~~ **. 37** ● the number of shares in our public float ~~;~~ **;** and ● increased competition. Furthermore, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our Class A common stock. **We have** ~~Additionally, moving forward we anticipate having~~ a limited number of shares in our public float, and as a result, there could be extreme fluctuations in the price of our Class A common stock. ~~36We~~ **We** might not be able to ~~obtain or~~ maintain the listing of our Class A common stock on the Nasdaq Capital Market. **Our** ~~We have applied to list our~~ Class A common stock **and warrants are listed** on the Nasdaq Capital Market. However, there can be no assurance that we will be able to ~~obtain or~~ maintain the listing standards of that exchange, which includes requirements that we maintain our stockholders' equity, total value of shares held by unaffiliated stockholders, and market capitalization above certain specified levels. If we fail to **maintain** ~~conform to~~ the Nasdaq listing requirements on an ongoing basis, our Class A common stock might cease to trade on the Nasdaq Capital Market, and may move to the **OTCQX,** OTCQB or OTC Pink Open Market operated by OTC Markets Group, Inc. These quotation services are generally considered to be less efficient, and to provide less liquidity, than the Nasdaq Capital Market. If securities or industry analysts do not publish or cease publishing research or reports about Alliance, its business, or its market, or if they change their recommendations regarding Alliance' s securities adversely, the price and trading volume of Alliance' s securities could decline. The trading market for Alliance' s securities **is** ~~will be~~ influenced by the research and reports that industry or securities analysts may publish about Alliance, its business, market or competitors. Securities and industry analysts do not currently, and may never, publish research on Alliance. If no securities or industry analysts commence coverage of Alliance, Alliance' s share price and trading volume would likely be negatively impacted. If any of the analysts who may cover Alliance change their recommendation regarding Alliance' s shares of common stock adversely, or provide more favorable relative recommendations about its competitors, the price of Alliance' s shares of common stock would likely decline. If any analyst who may cover Alliance were to cease coverage of Alliance or fail to regularly publish reports on it, Alliance could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline. Because we have no current plans to pay cash dividends on Alliance' s common stock for the foreseeable future, you may not receive any return on investment unless you sell Alliance' s common stock for a price greater than that which you paid for it. Alliance may retain future earnings, if any, for future operations, expansion and debt repayment and has no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends as a public company in the future will be made at the discretion of Alliance’ s board of directors and will depend on, among other things, Alliance’ s results of operations, financial condition, cash requirements, contractual restrictions and other factors that Alliance’ s board of directors may deem relevant. In addition, Alliance’ s ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness it or its subsidiaries incur. As a result, you may not receive any return on an investment in the Class A common stock unless you sell your shares of common stock for a price greater than that which you paid for it. ~~Alliance may issue additional shares of Class A common stock or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of the Class A common stock. As of the date of this annual report, Alliance has warrants outstanding to purchase an aggregate of 9, 920, 000 shares of common stock. Pursuant to the Company’ s 2023 Omnibus Equity Incentive Plan, Alliance may issue an aggregate of up to 600, 000 shares of Class A common stock, which amount may be subject to increase from time to time. For additional information about this plan, please read the discussion under the heading “ Alliance’ s Executive Compensation — Employee Benefit Plans. ” Alliance may also issue additional shares of common stock or other equity securities of equal or senior rank in the future in connection with, among other things, future acquisitions or repayment of outstanding indebtedness, without stockholder approval, in a number of circumstances. The issuance of additional shares or other equity securities of equal or senior rank would have the following effects: ● existing stockholders’ proportionate ownership interest in Alliance will decrease; ● the amount of cash available per share, including for payment of dividends in the future, may decrease; ● the relative voting strength of each previously outstanding common stock may be diminished; and ● the market price of the Class A common stock may decline. 37Anti~~ -- **Anti** - takeover provisions in the Certificate of Incorporation and under Delaware law could make an acquisition of Alliance, which may be beneficial to its stockholders, more difficult and may prevent attempts by its stockholders to replace or remove Alliance’ s then current management. The Certificate of Incorporation contains provisions that may delay or prevent an acquisition of Alliance or a change in its management. These provisions may make it more difficult for stockholders to replace or remove members of ~~its~~ **the** board of directors. Because the board of directors is responsible for appointing the members of the management team, these provisions could in turn frustrate or prevent any attempt by ~~its~~ **the** stockholders to replace or remove ~~its~~ current management. In addition, these provisions could limit the price that investors might be willing to pay in the future for shares of Class A common stock. Among other things, these provisions include: ● the limitation of the liability of, and the indemnification of, its directors and officers ~~;~~ **. 38** ● a prohibition on actions by its stockholders except at an annual or special meeting of stockholders ~~;~~ **.** ● a prohibition on actions by its stockholders by written consent; and ● the ability of the board of directors to issue preferred stock without stockholder approval, which could be used to institute a “ poison pill ” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by the board of directors. Moreover, because Alliance is incorporated in Delaware, it is governed by the provisions of Section 203 of the DGCL, which prohibits a person who owns 15 % or more of its outstanding voting stock from merging or combining with Alliance for a period of three years after the date of the transaction in which the person acquired 15 % or more of Alliance’ s outstanding voting stock, unless the merger or combination is approved in a prescribed manner. This could discourage, delay or prevent a third party from acquiring or merging with Alliance, whether or not it is desired by, or beneficial to, its stockholders. This could also have the effect of discouraging others from making tender offers for Alliance’ s common stock, including transactions that may be in its stockholders’ best interests. Finally, these provisions establish advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon at stockholder meetings. These provisions would apply even if the offer may be considered beneficial by some stockholders. For more information, see the section titled “ Description of Securities — Certain Anti- Takeover Provisions of Delaware Law and the Existing Certificate of Incorporation and Bylaws. ” The Certificate of Incorporation requires, to the fullest extent permitted by law, that derivative actions brought in our name, actions against our directors, officers, other employees or stockholders for breach of fiduciary duty and certain other actions may be brought only in the Court of Chancery in the State of Delaware and, if brought outside of Delaware, the stockholder bringing the suit will, subject to certain exceptions, be deemed to have consented to service of process on such stockholder’ s counsel, which may have the effect of discouraging lawsuits against our directors, officers, other employees or stockholders. The Certificate of Incorporation requires, to the fullest extent permitted by law, that derivative actions brought in the name of Alliance, actions against our directors, officers, other employees or stockholders for breach of a fiduciary duty owed by any officer, director or other employee of Alliance or Alliance’ s shareholders, any action asserting a claim against Alliance, its directors, officers or other employees arising pursuant to any provision of the DGCL or the Certificate of Incorporation or By-laws and certain other actions may be brought only in the Court of Chancery in the State of Delaware and, if brought outside of Delaware, the stockholder bringing the suit will be deemed to have consented to service of process on such stockholder’ s counsel except any action (A) as to which the Court of Chancery in the State of Delaware determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), (B) which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery or (C) for which the Court of Chancery does not have subject matter jurisdiction. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in the Certificate of Incorporation. This choice of forum provision may limit or make more costly a stockholder’ s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provision contained in the Certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm Alliance’ s business, operating results and financial condition. The Certificate of Incorporation provides that the exclusive forum provision will be applicable to the fullest extent permitted by applicable law, subject to certain exceptions. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits ~~38~~ **brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. In addition, The Certificate of Incorporation provides that, unless Alliance consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act, or the rules and regulations promulgated thereunder. There is, however, the uncertainty as to whether a court would enforce this provision and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Section 22 of the Securities Act creates concurrent jurisdiction for state and federal courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. 39**