

## Risk Factors Comparison 2025-03-04 to 2024-03-05 Form: 10-K

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Public health crises could materially adversely affect our business, financial condition and results of operations. We are subject to risks related to public health crises, such as the COVID- 19 pandemic, **or other pandemics** which **may occur. The COVID-19 pandemic** had an adverse effect on our operating results in 2022. Our business is based on our ability to provide products and services to customers throughout the United States and around the world and the ability of those customers to use and pay for those products and services for their businesses and in their daily lives. As a result, our business, financial condition and results of operations could be materially adversely affected by a public health crisis that significantly impacts the way customers use and are able to pay for our products and services, the way our employees are able to provide services to our customers, and the ways that our partners and suppliers are able to provide products and services to us. For example, public and private sector policies and initiatives to reduce the transmission of COVID- 19 and initiatives the Company took in response to the health crisis to promote the health and safety of our employees and provide critical infrastructure and connectivity to our customers, along with the related global slowdown in economic activity, resulted in slower revenue growth, increased costs and lower earnings per share and a sustained decrease in our stock price, which resulted in an impairment of goodwill of \$ 32. 1 million in 2022. In addition, such a crisis could significantly increase the probability or consequences of the risks our business faces in ordinary circumstances, such as risks associated with our supplier and vendor relationships, risks of an economic slowdown, regulatory risks, and the costs and availability of financing. Adverse conditions in the U. S. and international economies could impact our results of operations and financial condition. Unfavorable economic conditions, such as a recession or economic slowdown in the U. S. or elsewhere, or inflation in the markets in which we operate, could negatively affect the affordability of and demand for some of our products and services and our cost of doing business. In difficult economic conditions, business customers that we serve may delay purchasing decisions, delay full implementation of service offerings or reduce their use of services. In addition, adverse economic conditions may lead to an increased number of business customers that are unable to pay for services. Unfavorable economic conditions could also amplify other risk factors discussed herein, including, but not limited to, our competitive position and margins. Over the last ~~two~~ **three** years, as a result of the inflationary environment in the U. S., we experienced increases in our direct costs, including electricity and other energy- related costs for our network operations, and transportation and labor costs. We expect the inflationary environment and related pressures to continue into ~~2024~~ **2025**. In that case and if other unfavorable economic conditions continue or worsen, they could have a material adverse effect on our results of operations and financial condition. ~~The~~ **The** US economy has ~~started to recover but~~ **been strong, however the there bounce back is a possibility of a recession or increase** in demand stressed supply chains which ~~inflation. If Inflation rises the Federal Reserve may not continue and has caused inflation to~~ **reduce rates any further or may rise raise them and these factors may negatively affect our business**. The economy is uncertain, and the Federal Reserve may fail to reduce as ~~has been strong; however~~ **is generally believed, its monetary policy and these factors may negatively affect our business. The economy is uncertain**, interest rates are still high and rate reductions are uncertain and there is a risk of a recession which may cause substantial disruption in our sales and results. Of particular concern is (1) ~~Impact~~ **impact** of ~~Market market~~ **Market market Downturn** ~~downturn on Sales sales~~; (2) ~~Impact~~ **impact** of ~~Uncertain uncertain~~ **Capital capital Markets markets**; (3) ~~Rising~~ **rising** ~~Interest interest~~ **Rates rates**; and the (4) ~~the~~ **Impact** ~~impact~~ of ~~Inflation inflation~~; . Those issues, together with other uncertainties based on the economy may cause customers to cease operations, reduce spending by our customers, have customers defer purchase decisions and or reduce spending. All of those factors may have a material adverse effect on our business, results of operations, or financial condition. ~~Our~~ **Our** quarterly and annual results of operations have fluctuated in the past and may continue to do so in the future. As a result, we may fail to meet or to exceed the expectations of research analysts or investors, which could cause our stock price to fluctuate and impair our ability to raise capital. Our quarterly and annual results of operations have varied historically from period to period, and we expect that they will continue to fluctuate due to a variety of factors (including but not limited to inflation, economic uncertainty and potential recession), some of which are outside of our control, including: • our ability to retain existing customers and resellers, expand our existing customers' user base, and attract new customers; • our ability to introduce new solutions; • the actions of our competitors, including pricing changes or the introduction of new solutions; • our ability to effectively manage our growth; • our ability to successfully penetrate the market for larger businesses; • the mix of annual and multi- year subscriptions at any given time; • the timing, cost, and effectiveness of our advertising and marketing efforts; • the timing, operating cost, and capital expenditures related to the operation, maintenance and expansion of our business; • service outages or information security breaches and any related impact on our reputation; • our ability to accurately forecast revenues and appropriately plan our expenses; • our ability to realize our deferred tax assets; • costs associated with defending and resolving intellectual property infringement and other claims; • changes in tax laws, regulations, or accounting rules; • the timing and cost of developing or acquiring technologies, services or businesses, and our ability to successfully manage any such acquisitions; • adverse weather conditions; • the impact of worldwide economic, political, industry, and market conditions; and, • our ability to maintain compliance with all regulatory requirements. Any one of the factors above, or the cumulative effect of some or all of the factors referred to above, may result in significant fluctuations in our quarterly and annual results of operations. This variability and unpredictability could result in our failure to meet the expectations of research analysts or investors for any period, which could cause our stock price to decline. We sustained operating losses in 2023 and ~~2022 and~~ may experience losses in the future. In addition, a significant percentage of our operating expenses is fixed in nature and is based on forecasted revenues trends. Accordingly, in the event of revenue

shortfalls, we may not be able to mitigate the negative impact on net income / (loss) and margins in the short term. If we fail to meet or exceed the expectations of research analysts or investors, the market price of our shares could fall substantially, and we could face costly lawsuits, including securities class- action suits. This may also impair our ability to raise capital, should we seek to do so. Our growth and the evolving markets in which we operate make it difficult to evaluate our current business and future prospects, which may increase the risk of investing in our stock. We have encountered and expect to continue to encounter risks and uncertainties as a growing company, the market for our products changes frequently. If our assumptions regarding these uncertainties are incorrect or change in reaction to changes in our markets, or if we do not manage or address these risks successfully, our results of operations could differ materially from our expectations, and our business could suffer. Our business may be affected by Global economic conditions, including relations between the United States and Foreign Countries. We operate primarily in the United States, and we have been expanding our presence **on the software solutions business worldwide, particularly** in English speaking **areas such as**; Europe, Australia, and Canada. While non- US revenue has not been material to our business, that segment of our business has been expanding **and may become material in 2025**. Our business, revenues and profitability are impacted by global macroeconomic conditions. Our success is affected by general economic and market conditions, including, among others, inflation rate fluctuations, **trade wars**, interest rates, supply chain constraints, lower consumer confidence, volatile equity capital markets, tax rates, economic uncertainty, political uncertainty, changes in laws, and trade barriers and sanctions. In addition, such economic volatility could adversely affect our business, financial condition, results of operations and cash flows, and future market disruptions could negatively impact us. Further, any U. S. federal government shutdown which may occur due to not having budget appropriations and other budgetary decisions limiting or delaying government spending, may negatively impact U. S. or global economic conditions, including corporate and consumer spending, and liquidity of capital markets. 8Unfavorable economic conditions could increase our operating costs and because our typical contracts with customers lock in our price for multiple years, our profitability could be negatively affected. Geopolitical destabilization could impact global currency exchange rates, supply chains, trade and movement of resources as well as the price of commodities. The United States may **very likely** impose trade restrictions and tariffs on equipment we use, particularly from China **and Canada**. An increase in costs or limitation on our ability to source equipment including telephones and ancillary equipment may affect our results from operations as well as results and our stock price. Some of our international agreements provide for payment denominated in local currencies, and the majority of our local costs are denominated in local currencies. Fluctuations in the value of the U. S. dollar versus foreign currencies may impact our operating results. Chinese Yuan, and other international currencies may be adversely affected in the future due to changes in foreign currency exchange rates. **Regulatory Risks in International Expansion. Crexendo's expansion into international markets may expose the company to different telecommunications laws, tax regulations, and political risks, such as trade restrictions or economic sanctions. Missteps in compliance could result in significant fines or restrictions on operations**. We cannot be certain that we will be able to achieve or maintain operating profitability in the future. We have in the past sustained **operating** losses and may have losses again in the future. We expect to invest in sales and marketing, **engineering, design,** and in research and development, among other areas of our business. **We are incurring duplicative costs in order running data centers which will be migrated to compete the Oracle Cloud Infrastructure (OCI) which we expect will enable us to more successfully compete** for the business of companies that are transitioning to cloud communications and otherwise position ourselves to take advantage of long- term revenue- generating opportunities. The investments we have made and will continue to make may not generate the returns that we anticipate, which could adversely impact our financial condition and make it more difficult for us to grow revenue and / or **maintain** return to GAAP profitability. In order to achieve or maintain profitability, we will need to manage our cost structure more efficiently, not incur significant liabilities, while continuing to grow our revenues. Despite these efforts, our revenue growth may slow, revenues may decline, or we may incur significant losses in the future due to economic and world conditions, **downturn in general economic conditions, increasing competition (including competitive pricing pressures), decrease in the adoption or sustained use of cloud communications market, exiting lines of business, or our inability to execute on business opportunities.** We cannot be certain that we will be able to achieve or maintain operating profitability in the future. We expect to undertake additional acquisitions, the cost of which may affect profitability in certain quarters and for periods after the closing of the acquisition. Our future operating results, including revenues, expenses, **profits and losses and profits,** may vary substantially from period to period and may be difficult to predict. We ~~have stopped~~ paying a quarterly dividend ~~and~~ **in April 2023, the Company may consider a dividend in the future if** ~~there is do no not appear to guarantee that dividends will be paid~~ **accretive acquisitions in 2025** ~~the future~~. We stopped paying a quarterly dividend in **April 2023**. **The Cash position of the Company and revenue generation has changed materially since that time. The Board may consider a dividend if it appears unlikely the Company will make accretive acquisitions in 2025. There is unlikely, however, no assurance** that we will start paying a dividend again in the near term. Any determination to pay dividends to the Company's stockholders in the future will be at the discretion of the board of directors and will depend on the Company's results of operations, financial condition and other factors deemed relevant by the board of directors. ~~We~~ **We** expect to undertake acquisitions, mergers or change to our capital structure to expand our business, which may pose risks to our business and dilute the ownership of our existing stockholders. We may be required to incur debt to fund acquisitions or mergers. As part of our growth strategy, we expect to attempt to acquire or merge with certain businesses. Whether we realize benefits from any such transactions will depend in part upon the integration of the acquired businesses, the performance of the acquired products, services and capacities of the technologies acquired, as well as the personnel hired in connection therewith. Accordingly, our results of operations could be adversely affected from transaction- related charges, amortization of intangible assets, and charges for impairment of long- term assets including goodwill and intangible assets. While we believe that we have established appropriate and adequate procedures and processes to mitigate these risks, there can be no assurance that any potential transaction will be successful. ~~In~~ **In** addition, the financing of any acquisition may require us to raise additional funds through

public or private sources. Additional funds may not be available on terms that are favorable to us and, in the case of equity financings, may result in dilution to our stockholders. Future acquisitions by us could also result in large and immediate write-offs or assumptions of debt and contingent liabilities, any of which may have a material adverse effect on our consolidated financial position, results of operations, and cash flows. Utilizing debt to finance acquisitions would require paying down of principal and payment of interest, which requires the use of cash, and we may not have sufficient cash flows from our business to pay down substantial debt. The ability to make scheduled payments of principal or to pay interest on debt will depend on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate cash flows from operations to service any incurred debt, including paying off the principal when due, and make necessary capital expenditures. We may not be able to secure financing on favorable terms, or at all, to meet future needs. We may need to pursue financing in the future to make expenditures or investments to support the growth of our business (whether through acquisitions or otherwise) and may require additional capital to pursue our business objectives, respond to new competitive pressures, service our debt, pay extraordinary expenses, or fund growth, including through acquisitions, among other potential uses. Additional funds, however, may not be available when we need them on terms that are acceptable to us, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow and support our business and to respond to business challenges could be significantly limited. Our strategy to expand through acquisitions or investments in other companies may divert our management's attention, increase expenses, disrupt our operations and harm our results of operations. Our business strategy may, from time to time, include acquiring or investing in complementary services, technologies or businesses. We cannot assure you that we will successfully identify suitable acquisition candidates, integrate or manage disparate technologies, lines of business, personnel and corporate cultures, realize our business strategy or the expected return on our investment, or manage a geographically dispersed company. Our inability to successfully operate and integrate newly acquired businesses appropriately, effectively, and in a timely manner could impair our ability to take advantage of future growth opportunities and other advances in technology, as well as on our revenues, gross margins and expenses. Any such acquisition or investment could materially and adversely affect our results of operations. Acquisitions and other strategic investments involve significant risks and uncertainties, including: the potential failure to achieve the expected benefits of the combination or acquisition; unanticipated costs and liabilities; difficulties in integrating new products and services; software, businesses; operations and technology infrastructure in an efficient and effective manner; difficulties in maintaining customer relations; the potential loss of key employees of the acquired businesses; the diversion of the attention of our senior management from the operation of our daily business; the potential adverse effect on our cash position to the extent that we use cash for the purchase price; the potential significant increase of our interest expense, leverage, and debt service requirements if we incur additional debt to pay for an acquisition; the potential to incur large and immediate write-offs and restructuring and other related expenses; and the inability to maintain uniform standards, controls, policies and procedures. Further, any acquisition may affect our ability to adequately maintain our internal control over financial reporting. If our internal control over financial reporting is not effective, it may adversely affect investor confidence in the Company. Our ability to use our net operating loss carry-forwards may be reduced in the event of an ownership change and could adversely affect our financial results. As of December 31, ~~2023~~ **2024**, we had net operating loss ("NOL") carry-forwards of approximately \$ ~~21-17, 480-372~~. Section 382 of the Internal Revenue Code, as amended (the "Code") imposes limitations on a corporation's ability to utilize its NOL carry-forwards. In general terms, an ownership change results from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50% over a three-year period. Any limited amounts may be carried over into later years, and the amount of the limitation may, under certain circumstances, be increased by the "recognized built-in gains" that occur during the five-year period after the ownership change (the recognition period). Future changes in ownership of more than 50% may also limit the use of these remaining NOL carry-forwards. Our earnings, if any, and cash resources would be materially and adversely affected if we cannot receive the full benefit of the remaining NOL carry-forwards. An ownership change could occur as a result of circumstances that are not within our control. ~~The 10~~ **The 10** telecommunications industry is highly competitive. We face intense competition from traditional telephone companies, wireless companies, cable companies and alternative voice communication providers and other UCaaS companies. Our Cloud telecommunications services compete with other unified communication as a service ("UCaaS") providers. In addition, we also compete with traditional telephone service providers which provide telephone service based on the public switched telephone network ("PSTN"). Our UCaaS offering is not fully compatible with such customers. Some of these traditional providers have also added UCaaS services. There is also competition from cable providers, which have added UCaaS service offerings in bundled packages to their existing cable customers. The telecommunications industry is highly competitive. We face intense competition from traditional telephone companies, wireless companies, cable companies, and alternative voice communication providers. ~~10~~ **Most** traditional wire line and wireless telephone service providers, cable companies, and some UCaaS providers are substantially larger and better capitalized than we are and have the advantage of a large existing customer base. Because most of our target customers are already purchasing communications services from one or more of these providers, our success is dependent upon our ability to attract target customers away from their existing providers. The markets for our products and services are continuing to evolve and are increasingly competitive. Demand and market acceptance for recently introduced and proposed new products and services and sales of such products and services are subject to a high level of uncertainty and risk. Our business may suffer if the market develops in an unexpected manner, develops more slowly than in the past or becomes saturated with competitors, if any new products and services do not sustain market acceptance. A number of very large, well-capitalized, high-profile companies serve the e-commerce, UCaaS and Cloud technology markets. If any of these companies entered our markets in a focused and concentrated fashion, we could lose customers, particularly more sophisticated and financially stable customers. **. Impact of AI and Automation on Core Business. As automation continues to transform the UCaaS providers, VoIP and software industries, Crexendo must adopt new**

**AI- driven solutions to remain competitive both from the Software Solutions division as well as our Telecom Service Division. Failure to do so may render certain products and services redundant, while over- reliance on automation could lead to service disruptions or job cuts that harm the company’ s public image. Limited Patents and Intellectual Property Protection. Crexendo’ s reliance on proprietary technology without extensive patent protection may make the company vulnerable to intellectual property disputes and imitation by competitors.**

Our UCaaS or cloud telecommunications service competes against established well financed alternative voice communication providers (such as 8x8 and Ring Central), who may provide comparable services at comparable or lower pricing. Pricing in the telecommunications industry is very fluid and competitive. Price is often a substantial motivation factor in a customer’ s decision to switch to our telephony products and services. Our competitors may reduce their rates, which may require us to reduce our rates, which would affect our margins and revenues, or otherwise make our pricing non- competitive. We may be at a disadvantage compared with those competitors who have substantially greater resources than us or may otherwise be better positioned to withstand an extended period of downward pricing pressure. Many of our current and potential competitors have longer operating histories, significantly greater resources and brand awareness, and a larger base of customers than we have. As a result, these competitors may have greater credibility with our existing and potential customers. Our competitors may also offer bundled service arrangements that present a more differentiated or better integrated product to customers. Announcements, or expectations, as to the introduction of new products and technologies by our competitors or us could cause customers to defer purchases of our existing products, which also could have a material adverse effect on our business, financial condition or operating results. Our Software Solutions division competes against numerous competitors including established well- financed competitors (such as Cisco and Microsoft). The success of our Software Solutions division depends on a number of factors, including but not limited to acceptance of the functions and features we provide. We face numerous competitor competitors’ s which range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product lines may let them be more effective in deploying technical, marketing, and financial resources. Barriers to entry into many of our businesses are low and many of the areas in which we compete evolve rapidly with changing and disruptive technologies, shifting user needs, and frequent introductions of new products and services. Our ability to remain competitive depends on our success in making innovative products, devices, and services that appeal to businesses and consumers. An important element of our business model, particularly relating to our NetSapiens software platform and the Software Solutions division has been to create a software platform from which our licensees can add their own solutions, license software to add to their solutions or tailor the solution to achieve their specific needs. This should allow for beneficial network effects among users, application developers, as well as the platform which should help accelerate growth. We face significant competition from firms that provide competing platforms, many of which have significant capital resources compared to us. We derive substantial revenue from licensing of the NetSapiens software platform. We face significant competition from competing platforms which are both operating and being developed. Popular products or services offered on competing platforms could increase their competitive strength as well as affect our revenue, margins, profit and growth potential. Competing platforms have significant installed bases. The content and applications available on a platform are important to device purchasing decisions. For us to continue to competitively compete with other platform providers we must continue to innovate, including providing applications for our platform and ensure that these applications have high quality, security, customer appeal, and value. Efforts to compete with competitors’ content and application marketplaces may increase our cost of revenue and lower our margins and profits. The Software Solutions Division previously sold licenses primarily as a “ perpetual ” license. We are now selling more subscriptions based licenses on a month- monthly recurring revenue model and, how the sale is structured may continued conversion to the subscription model could affect quarterly results on a quarter- to- quarter basis. The Software Solutions division sells both perpetual licenses as well as a subscription model with monthly recurring revenue. The Service Provider Partners license the core NetSapiens Platform and host it themselves or have us host it on their behalf. The sizing size of such a license is dictated by the Service Provider’ s capacity requirements and business objectives (e. g. number of customers they plan to service, etc.). They choose one of two commercial options for licensing the core platform, namely purchase or subscription. The purchase option allows the customer to make an initial investment to procure a small license to begin its contractual relationship with the Company, with monthly maintenance and support fees along with other monthly services that the customer typically procures. The subscription option is a much lower upfront start- up cost and a monthly subscription fee based on an initial committed capacity followed by increases in subscription charges based on increased utilization. Providing a choice of commercial licensing options has and continues to be a competitive advantage but is subject to variances in quarterly revenue and is less certain than a recurring revenue model. The Company continues to promote the subscription option while still selling the purchase option. The Company maintains both models as it finds it is a competitive driver and to the best of our knowledge not offered by other service providers. If the shift to a subscription model becomes pronounced, it may initially cause quarterly revenue to be reduced during the transition period, but it is expected to increase total contract value and provide a more predictable revenue model on a go- forward basis. The Company does not expect to terminate the purchase offering but may price the subscription model on terms more favorable to incent the further shift to a subscription model. The Managed Service Provider Industry is highly competitive. We face intense competition from both large and regional providers. We purchased Allegiant Networks, LLC (“ Allegiant ”) on November 1, 2022. In addition to telecommunications services, Allegiant provides Managed IT Services and Support. While those revenues do not represent a significant portion of our overall revenues, the managed services market is a highly competitive industry. Managed Service contains the same risks as detailed in the risk factors including the additional risks detailed herein. Managed service is the practice of outsourcing on a proactive basis certain processes and functions intended to improve operations and cut expenses. It simplifies IT operations, increases user satisfaction, and improves service quality while reducing operating costs. Industry requirements, standards, applications, automation, and client needs are changing daily. These ever- changing factors and our ability to quickly adapt and meet those demands could

negatively impact our ability to retain and attract clients. In addition, the rapid adoption of digital transformation and the rush of both large and midmarket providers to address this massive market opportunity creates risk and significant competition. We have no control on the outsourced services and a catastrophic failure on the part of one of the outsourced services could cause a loss of customers, loss of revenue, potential liability and a decline in our stock price. As a small regional provider, many of Allegiant's current and potential MSP competitors have longer operating histories providing managed services, significantly greater resources and brand awareness, and a larger base of customers than we have. As a result, these competitors may have greater credibility with our existing and potential customers.

**Increasing Complexity in Managed Service Offerings**  
**Crexendo's Managed Service Provider (MSP) division may face challenges in scaling services, managing cybersecurity risks, and meeting the increasing expectations of customers. High turnover in MSP clients or failure to deliver consistent service quality could negatively impact revenue and reputation. In addition, margins on MSP services tend to be lower than on UCaaS services and on the Software Solutions Divisions which can lower our total margins and can have a deleterious effect on our performance, results and stock price.**

Cyber - attacks impacting our networks or systems could have an adverse effect on our business. Cyber - attacks, including through the use of ransomware and other forms of malware, distributed denial of services attacks, credential harvesting, social engineering and other means for obtaining unauthorized access to or disrupting the operation of our networks and systems and those of our suppliers, vendors and other service providers, could have an adverse effect on our business. Cyber - attacks may cause equipment failures, loss of information, including sensitive personal information of customers or employees or valuable technical and marketing information, as well as disruptions to our or our customers' operations. Cyber - attacks against companies, including Crexendo, have increased in frequency, scope and potential harm in recent years. They may occur alone or in conjunction with physical attacks, especially where disruption of service is an objective of the attacker. The development and maintenance of systems to prevent such attacks is costly and requires ongoing monitoring and updating to address their increasing prevalence and sophistication. While, to date, we have not been subject to cyber - attacks that, individually or in the aggregate, have been material to Crexendo's operations or financial condition, the preventive actions we take to reduce the risks associated with cyber - attacks, including protection of our systems and networks, may be insufficient to repel or mitigate the effects of a cyber - attack in the future.

**The UCaaS infrastructure is particularly vulnerable to specific types of cyberattacks, such as SIP-based attacks, fraud, and eavesdropping. A breach in this infrastructure could disrupt customer communications and lead to financial losses.**

The inability to operate or use our networks and systems or those of our suppliers, vendors and other service providers as a result of cyber - attacks, even for a limited period of time, may result in significant expenses to the Company and / or a loss of market share to our competitors. The costs associated with a cyber - attack on the Company could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cybersecurity measures and the use of alternate resources, lost revenues from business interruption and litigation. Further, certain of Crexendo's businesses, such as those offering software solutions and infrastructure and cloud services to business customers, could be negatively affected if our ability to protect our own networks and systems is called into question as a result of a cyber - attack. In addition, a compromise of security or a theft or other compromise of valuable information, such as financial data and sensitive or private personal information, could result in lawsuits and government claims, investigations or proceedings. Any of these occurrences could damage our reputation, adversely impact customer and investor confidence and result in a material adverse effect on the Company's results of operation or financial condition.

~~12~~**Natural** disasters, extreme weather conditions, acts of war, terrorist or other hostile acts could cause damage to our infrastructure and result in significant disruptions to our operations. Our business operations are subject to interruption by power outages, acts of war, terrorist or other hostile acts, natural disasters or the potential impacts of climate change, including the increasing prevalence and intensity of hurricanes, wildfires, flooding, hail and storms. Such events could cause significant damage to our infrastructure upon which our business operations rely, resulting in degradation or disruption of service to our customers, as well as significant recovery time and expenditures to resume operations. Our system redundancy may be ineffective or inadequate to sustain our operations through all such events. We are implementing, and will continue to implement, measures to protect our infrastructure and operations from the impacts of these events in the future, but these measures and our overall disaster recovery planning may not be sufficient for all eventualities. These events could also damage the infrastructure of the suppliers that provide us with the equipment and services that we need to operate our business and provide products to our customers. These occurrences could result in lost revenues from business interruption, damage to our reputation and reduced profits. Errors in our technology or technological issues outside our control could cause delays or interruptions to our customers. Our services (including cloud telecommunications, software solutions, managed services and e-commerce) can be disrupted by problems with our technology and systems such as malfunctions in our servers, processes, software or facilities. In addition, there may be service interruptions for reasons outside our control. Our customers and potential customers subscribing to our services have experienced such interruptions in the past and may experience such interruptions in the future as a result of these types of problems or others which may or may not be in our control. Such Interruptions cause us to lose customers and offer customer credits, which could adversely affect our revenue and profitability. Network and telecommunication interruptions may also impair our ability to sign-up new customers. In addition, since our systems and our customers' ability to use our services are Internet- dependent, our services may be subject to " cyber- attacks " from the Internet, which could have a significant impact on our systems and services. If we do not successfully maintain our physical infrastructure and maintain sufficient diverse geo redundant locations, which require large investments, we may be unable to substantially increase our sales and retain customers. Our ability to provide cloud telecommunications services is dependent upon our physical and cloud- based infrastructure. While our physical equipment required for providing these services is redundant in nature, certain types of failures or malfunctioning of critical hardware / software equipment, including but not limited to fire, water or other physical damage may impact our ability to deliver continuous service to our customers, while there are redundancies, there is no guarantee that the system will operate as

planned to provide back up in the event of an outage. ~~Act~~ **Acts** of God or terrorism or vandalism or negligence or gross negligence including failure to properly update and maintain infrastructure may result in loss of revenue, profitability and failure to retain and acquire new customers. ~~Our~~ **13Our** ability to recover from disasters or failures, if and when they occur, is paramount to offering continued service to our existing customers. We maintain a redundant physical infrastructure for disaster recovery. This system does not guarantee continued reliability if a catastrophic event occurs. Despite ~~the~~ implementation of network security measures, our servers may be vulnerable to computer viruses, break- ins, and similar disruptions from unauthorized tampering with our computer systems including, but not limited to, denial of service attacks. In addition, if there is a breach or alleged breach of security or privacy involving our services including but not limited to data loss, or if any third party undertakes illegal or harmful actions using our communications or e- commerce services, our business and reputation could suffer substantial adverse publicity and impairment. We have experienced interruptions in service in the past. We have taken and continue to take steps to improve our infrastructure to prevent service interruptions. In addition to our physical infrastructures, we have ~~a~~ cloud infrastructure ~~deployment~~ **deployments** with Amazon Web Services (“ AWS ”) **and Oracle Cloud Infrastructure (“ OCI ”)** which ~~is~~ **are** intended to provide continuous service to our customers in the event of a disaster or failure of our physical infrastructures. If we fail to properly maintain our infrastructure or our third- party service providers fail to maintain these facilities properly, or fail to respond quickly to problems, our customers may experience service interruptions. The failure to properly maintain services may result in negative consequences to us including but not limited to: (i) cause a material loss of customers, (ii) adversely affect our reputation, (iii) cause negative publicity, (iv) negatively impact our ability to acquire customers, (v) negatively impact our revenue and profitability, (vi) potential law suits for not reaching E- 911 services, and (vii) potential law suits for loss of business and loss of reputation. Failure in our data centers or services could lead to significant costs and disruptions. All data centers, including ours, are subject to various points of failure. Problems with cooling equipment, generators, uninterruptible power supply, routers, switches, or other equipment, whether or not within our control, could result in service interruptions for our customers as well as equipment damage. Any failure or downtime could affect a significant percentage of our customers. The total destruction or severe impairment of our data center facilities could result in significant downtime of our services and the loss of customer data. ~~13~~ **We Migration to Oracle Cloud Infrastructure We are in the process of migrating from our own physical data centers to the Oracle Cloud Infrastructure (OCI). While this transition is expected to improve operational efficiency, scalability, and cost- effectiveness in the long term, migration presents several risks and challenges including duplicate costs during migration. During the migration period, we will incur duplicate costs as we continue to operate and maintain our existing physical data centers while simultaneously building and utilizing the Oracle Cloud Infrastructure. These overlapping expenses may negatively impact our short- term profitability and cash flow. Additionally, unanticipated delays in the migration process could extend the period of duplicate costs, further straining our financial results. Risks Associated with Relying on Oracle Cloud • Vendor Dependence: Shifting critical infrastructure to Oracle Cloud makes us reliant on Oracle' s technology, service quality, and financial stability. Any disruptions, such as outages or service degradations, in Oracle' s cloud infrastructure could directly impacts our ability to deliver reliable services to our customers; • Cost Uncertainty: While cloud services are typically scalable, costs can increase unexpectedly due to changes in usage patterns, unforeseen demand spikes, or price adjustments by Oracle. Over time, these costs may erode the anticipated financial benefits; • Limited Control: Unlike physical data centers that we manage internally, the Oracle Cloud platform is controlled by Oracle, limiting our ability to customize or directly address issues within the infrastructure. This reduced control could delay problem resolution and affect our ability to respond to customer needs promptly; • Security and Compliance Risks: While Oracle Cloud is designed with robust security features, migration to a third- party cloud platform introduces additional risks related to data security, privacy, and regulatory compliance. Any vulnerabilities or breaches in Oracle' s systems could result in data loss, reputational damage, and potential legal liabilities for Cruxendo; • Service and Support Risks: The success of our cloud migration depends on Oracle' s ability to provide consistent, high- quality support. Any delays, inadequacies, or failures in Oracle' s support services could hinder our migration efforts and disrupt our operations; • Exit Risks: In the event that Oracle Cloud no longer meets our business needs, transitioning away from Oracle to another provider or back to an on- premises solution could involve significant time, cost, and operational risk. 14Operational Risks During Migration The migration process itself involves significant technical and operational risks. Challenges include data migration errors, potential service outages, and ensuring compatibility between our existing systems and Oracle' s infrastructure. Any disruptions during migration could negatively impact on our customers, damage our reputation, and lead to potential revenue loss or customer attrition. Long- Term Dependence on Oracle' s Business Strategy Oracle' s future decisions regarding pricing, technology offerings, or strategic priorities may directly impact our operations and profitability. For example, changes in Oracle' s product roadmap, withdrawal of certain features, or discontinuation of services could force us to make additional investments or modifications to our infrastructure. While we believe that the transition to Oracle Cloud will provide significant long- term benefits, the migration process and reliance on Oracle Cloud introduce substantial risks. These risks, if not effectively managed, could adversely affect our financial condition, operations, and customer relationships. We** depend on our senior management and other key personnel, and a loss of these individuals could adversely impact our ability to execute our business plan and grow our business. We depend on the continued services of our key personnel, including our officers and certain engineers. Each of these individuals has acquired specialized knowledge and skills with respect to our operations. The loss of one or more of these key personnel could negatively impact our performance. In addition, we expect to hire additional personnel as we continue to execute our strategic plan, particularly if we are successful in expanding our operations. Competition for the limited number of qualified personnel in our industry is intense. At times, we have experienced difficulties in hiring personnel with the necessary training or experience. ~~Changes or the termination of our web hosting model may negatively affect our business. The Company shifted away from selling web hosting~~

in 2011. The Company is not actively marketing its website development software or website hosting services and may decide to terminate. Our website hosting revenue represents less than 1% of our total revenue for the year ended December 31, 2023 and will continue to decline. In addition, the Company may determine that it will discontinue or transfer its web hosting functions as the cost to provide services may exceed any revenue received from those services. The failure to provide hosting may cause disruptions to customers who may attempt to claim that the Company is required to continue to host active websites and seek legal redress for such claims. We have targeted sales to mid- market and larger enterprise customers. Not properly managing these customers could negatively affect our business, margins, cash flow and operations. Selling to larger enterprise customers contains inherent risks and uncertainties. Our sales cycle has become more time- consuming and expensive. The delays associated with closing and installing larger customers may impact results on a quarter- to- quarter basis. There may be additional pricing pressure in this market which may affect margins and profitability. Revenue recognition may be delayed for some complex transactions, all of which could harm our business and operating results. The loss of a large customer may have a material negative impact on quarterly or annual results. Multi- location users require additional and expensive customer service which may require additional expense and impact margins on enterprise sales. Enterprise customers may demand more features, integration services and customization which require additional engineering and operational time which could impact margins on an enterprise sale. Multi- location enterprise customer sales may have different requirements in different locations which may be difficult to fulfill or satisfy various interests which could result in cancellations. Enterprise customers might demand we provide service locations internationally where we may encounter technical, logistical, infrastructure and regulatory limitations on our ability to implement or deliver our services. Our inability to provide service in certain international locations may result in a cancellation of the entire contract. Further with larger enterprise customer sales, the risk of customers transporting desktop devices internationally without our knowledge may increase. We have a limited history of selling our services to larger businesses and may experience challenges in configuring and providing ongoing support for the solutions we sell to large customers. Larger customers' networks are often more complex than those of smaller customers, and the configuration of our services for these customers usually requires customer assistance. There is no guarantee that the customer will make available to us the necessary personnel and other resources for a successful configuration of services. Lack of assistance from the customers or lack of local resources may prevent us from properly configuring our services for the customers, which can in turn adversely impact the quality of services that we deliver over our customers' networks, and / or may result in delays in the implementation of our services and impact the quality and ability to continue to provide the services. This could also create a public perception that we are unable to deliver high quality of service to our customers, which could harm our reputation. In addition to the foregoing, larger customers tend to require higher levels of customer service and individual attention, which may increase our costs for implementing and delivering services. Sales to small and medium- sized businesses face risks as they may have fewer financial resources to weather an economic downturn. A substantial percentage of our revenues come from small and medium- sized businesses. These customers may be more adversely affected by economic downturns than larger, more established businesses. Weakness in certain segments of the credit markets and in the U. S. and global economies may result in customers reducing size or terminating their business, which could negatively affect our business. If small and medium- sized businesses experience financial hardship as a result of a weak economy, industry consolidation, or any other reason, the overall demand for our subscriptions could be materially and adversely affected. We-15We must acquire new customers on an ongoing basis to maintain and increase our customers and revenues while the significant costs to acquire new customers may reduce our profitability. We will have to acquire new customers in order to increase revenues. We incur significant costs to acquire new customers, and those costs are an important factor in determining our profitability. Therefore, if we are unsuccessful in retaining customers or are required to spend significant amounts to acquire new customers beyond those budgeted, our revenue could decrease, which could prevent us from reaching profitability and have our net loss increase. Marketing expenditure is an ongoing requirement and will become a larger ongoing requirement of our business as we strive for to acquiring acquire new customers. 14If If we do not successfully expand our sales, including our partner channel program and direct sales, we may be unable to increase our sales and that may affect our stock price. We sell our products and services primarily through direct sales and our partner channel, and we must substantially expand the number of partners and producing direct sales personnel to increase organic revenue substantially. If we are unable to expand our partner channel network and hire and retain qualified sales personnel, our ability to increase our organic revenue and grow our business could be compromised. The challenge of attracting, training, and retaining qualified candidates may make it difficult to grow revenue. Our direct sales are driven largely by inside sales who sell our services and products to customers. Our future growth depends on our ability to develop and maintain a successful direct sales organization that identifies and closes a significant portion of sales. If we or the agents fail to do so, we may be unable to meet our revenue growth targets. Our partner sales are generated through indirect channel sales. These channels consist of master agents' independent agents (including master agents), value- added resellers, and service providers. We contract directly with the end customer. We may or may not have active involvement in the sale or may use these channel partners to identify, qualify and manage prospects throughout the sales cycle. These channels may generate an increasing portion of our revenue in the future. Our continued success requires continuing to develop and maintain successful relationships with these partners. If we fail to properly select and manage our partners, or they are not successful in their sales efforts, we may be unable to meet our revenue growth targets. A substantial portion of our sales is dependent on our partner channel (including but not limited to, resellers, and master agents) to sell our products and services; our failure to effectively develop, manage, and maintain our indirect sales channels could materially and adversely affect our revenues. Our success depends on our continued ability to establish and maintain a network of channel relationships, including but not limited to strategic partners, agents, and master agents. We need to properly manage and expand these relationships. These relationships are essential both in targeting our strategic base and expanding into the enterprise market. We believe we will need to expand our network in order to grow our business. An increasing portion of our revenues are and maybe derived from our network of

resellers. We do not have long- term contracts with these resellers, nor do most of our contracts require minimum ~~commitments-~~  
**commitment** on the part of resellers. The loss of or reduction in sales through these third parties could materially reduce our revenues. Many of our competitors also rely on resellers and there may be intense competition regarding their sales, attention, and commitment. Competitors may be able to transition some or all of those customers onto their competing solutions, which could materially and adversely affect our revenues. Acquiring new resellers and retaining current resellers requires substantial training in our technology and subscription offerings which necessitates time and resources. To maintain and expand our indirect sales, we must continue to scale and improve our processes and procedures to support these agents, including investment in systems and training. Our churn rate may increase in future periods due to customer cancellations or other factors, which may adversely impact our revenue or require us to spend more money to grow our customer base. Our customers generally have initial service periods of between three and five years and may discontinue their subscriptions for our services after the expiration of their initial subscription period. In addition, our customers may renew for lower subscription amounts or for shorter contract lengths. We may not accurately predict cancellation rates for our customers. Our cancellation rates may increase or fluctuate because of a number of factors, including customer usage, pricing changes, number of applications used by our customers, customer satisfaction with our service, the acquisition of our customers by other companies and deteriorating general economic conditions. If our customers do not renew their subscriptions for our service or decrease the amount they spend with us, our revenue will decline, and our business will suffer. Our rate of customer cancellations we believe has increased and may increase in future periods due to many factors, some of which are beyond our control, such as the financial condition of our customers or the state of credit markets, especially given the current economic uncertainty, inflation and supply issue and their impact on the economy. In addition, a single protracted service outage or a series of service disruptions, whether due to our services or those of our bandwidth carriers, may result in a sharp increase in customer cancellations. ~~15We~~**16We** may not be able to scale our business efficiently or quickly enough to meet our customers' growing needs, in which case our operating results could be harmed. As usage of our cloud telecommunications services by mid- market and larger distributed enterprises expands and as customers continue to integrate our services across their enterprises, we are required to devote additional resources to improving our application architecture, integrating our products and applications across our technology platform as well as expanding integration and performance. We will need to appropriately scale our internal business systems and our services organization, including customer support and services and regulatory compliance, to serve a growing customer base. Any failure of or delay in these efforts could impair our systems' performance and reduce customer satisfaction, which could result in decreased sales to new customers and lower renewal rates by existing customers and eventually hurt our revenue growth and our reputation. We cannot guarantee that the expansion and improvements to our infrastructure and systems will be fully or effectively implemented on a timely basis, if at all, which failure may reduce revenue and our margins and adversely impact our financial results. Our success depends in part upon our ability to provide customer service that effectively supports the needs of our customers. Providing customer services effectively requires that our customer support personnel have industry-specific technical knowledge and expertise. It may be difficult and costly for us to hire qualified personnel. Our support personnel require extensive training on our products and services, which may make it difficult to scale up our support operations rapidly or effectively. The importance of high- quality customer support will increase as we expand our business and pursue new customers. If we do not help our customers quickly resolve post- implementation issues and provide effective ongoing support, our ability to sell additional features and services to existing customers will suffer and our reputation may be harmed. Our telecommunications and managed services success depends in part upon the capacity, reliability, and performance of our several third- party providers and their network infrastructure, the failure of which could cause delays or interruptions of our service and impact our revenue and profitability. Our Software Solutions Division relies on outside contractors and service providers, the failure of which could impact service and profitability. We depend on several third- party providers to provide uninterrupted and error- free service to maintain our operations and to provide managed services. We do not have control over these providers, and some of these providers may be our competitors. We may be subject to interruptions or delays in their service and our reputation and business may be harmed. The failure of any of these third party service providers to properly maintain services may result in negative consequences to us including but not limited to: (i) cause a loss of customers, (ii) adversely affect our reputation, (iii) cause negative publicity, (iv) negatively impact our ability to acquire customers, (v) negatively impact our revenue and profitability, (vi) potential law suits for not reaching E- 911 services, and (vii) potential law suits for loss of business and loss of reputation. These third- party providers include: · Internet Bandwidth Providers. We may be subject to interruptions or delays in network service. If we fail to maintain reliable bandwidth or performance that could significantly reduce customer demand for our services and damage our business. Our cloud telecommunications service (and to a lesser extent our e- commerce services) requires our customers to have an operative broadband Internet connection and an electrical power supply, which are provided by the customer' s Internet service provider and electric utility company and not by us. The quality of some broadband Internet connections may be too poor for customers to use our services properly. In addition, if there is any interruption to a customer' s broadband Internet service or electrical power supply, that customer will be unable to make or receive calls, including emergency calls (our E- 911 service), using our service. In addition, internet backbone providers may be able to block, degrade or charge for access to, or the bandwidth use of certain of our products and services which could have a negative effect on our services and could lead to additional expenses and the loss of users. Our products and services depend on the ability of our users to access the Internet, and many of our services require significant bandwidth to work effectively. Further, customers who access our mobile ~~application-~~**applications** ~~Crexmo ©~~ **and Crexendo VIP mobile** (or future application) through their smartphones must have a high- speed connection, to use our services. This access is provided by companies that have significant and increasing market power in the broadband and Internet access marketplace some of these providers offer products and services that directly compete with our own offerings, which give them a significant competitive advantage. · Tier 1 and non- Tier 1 Telecom suppliers for Telecom Origination and Termination Services. We depend on these companies to provide ~~service~~

telecom services, sourcing of Direct Inward Dialing (DID) numbers, porting of numbers and delivering telephone calls from and to endpoints and devices on our network. If we fail to maintain reliable connectivity or performance with our upstream carriers it could then significantly reduce customer demand for our services and damage our business. **17** A portion of our customer service responses, delivery of calls to and from PSTN and other public telephone VoIP / Wireless service providers and provision of aspects of our E- 911 service. We offer our cloud telecommunications customers support 24 hours a day, seven days a week. We may rely on third parties (sometimes outside of the U. S) to respond to customer inquiries. These third- party providers generally represent us without identifying themselves as independent parties. The ability of third- party providers to provide these representatives may be disrupted due to issues outside our control. We also maintain an agreement with an E- 911 provider to assist us in routing emergency calls directly to an emergency service dispatcher at the public- safety answering point (“ PSAP ”) in the area of the customer’ s registered location and terminating E- 911 calls. We also contract with a provider for the national call center that operates 24 hours a day, seven days a week to receive certain emergency calls and with several companies that maintain PSAP databases for the purpose of deploying and operating E- 911 services. The dispatcher will have automatic access to the customer’ s telephone number and registered location information. If a customer moves their Crexendo service to a new location, the customer’ s registered location information must be updated and verified by the customer. Until that takes place, the customer will have to verbally advise the emergency dispatcher of his or her actual location at the time of an emergency 9- 1- 1 call. This can lead to delays in the delivery of emergency services. Interruptions in service from these vendors could also cause failures in our customers’ access to E- 911 services and expose us to liability. **16** Our services providers and partners may experience service interruptions or degradation because of hardware and software defects or malfunctions, computer denial- of- service and other cyberattacks, human error, natural disasters, power losses, disruptions in services, bankruptcy, fraud, military or political conflicts, terrorist attacks, computer viruses or other malware, or other events. Their systems also may be subject to break- ins, sabotage and intentional acts of vandalism. Some of our provider systems may not be fully redundant, and their disaster recovery planning may not be sufficient for all eventualities. · Outside contractors and third- party agents for fulfillment of certain items and critical manufacturing services. We outsource the manufacturing of certain products we sell and provide. We submit purchase orders to agents or the companies that manufacture the products. We describe, among other things, the type and quantities of products or components to be supplied or manufactured and the delivery date and other terms applicable to the products or components. Our suppliers or manufacturers potentially may not accept any purchase order that we submit. Our reliance on outside parties involves a number of potential risks, including: (i) the absence of adequate capacity, (ii) the unavailability of, or interruptions in access to, production or manufacturing processes, (iii) reduced control over delivery schedules, (iv) errors in the product, and (v) claims of third- party intellectual infringement or defective merchandise. If delays, problems or defects were to occur, it could adversely affect our business, cause claims for damages to be filed against us, and negatively impact our consolidated operations and cash flows. We depend upon industry standard protocols, best practices, solutions, third- party software, technology, and tools, including but not limited to open- source software. We rely on non- proprietary third- party licensing and software, some of which may be Open Source and protected under various licensing agreements. We may be subject to additional royalties, license or trademark infringement costs or other unknown costs when one or more of these third- party technologies are affected or need to be replaced due to end- of- support or end- of- sale of such third parties. Changes to rates by our suppliers and increasing regulatory charges or tariffs may require us to raise prices, which could impact results. Our upstream carriers, suppliers and vendors may increase their rates thus directly impacting our cost of sales, which would affect our margins. Interconnected VoIP traffic may be subject to increased charges. Should this occur, the rates paid to our underlying carriers may increase, which could reduce our profitability. Future changes in tariffs by regulatory agencies or application of tariff requirements to currently un- tariffed products or services could affect the price and sales of our products for certain classes of customers. Changes in our underlying costs of sales may increase rates we charge our customers which could make us less competitive and impact our sales and retention of existing customers. **Vendor Concentration Risks. Crexendo depends on a limited number of vendors for critical services, including VoIP hardware, telecom infrastructure, and software components. The loss of a key vendor could disrupt operations and require costly adjustments.** **Changes 18** Changes in laws and regulations and the interpretation and enforcement of such laws and regulations could adversely impact our financial results or ability to conduct business. We are subject to a variety of federal and state laws and regulations as well as oversight from a variety of governmental agencies and public service commissions. The laws governing our business may change in ways that harm our business. Federal or state governmental agencies administering and enforcing such laws may also choose to interpret and apply them in ways that harm our business. These interpretations are also subject to change. Regulatory action could materially impair or force us to change our business model and may adversely affect our revenue, increase our compliance costs, and reduce our profitability. In addition, governmental agencies such as the Securities and Exchange Commission (“ SEC ”), Internal Revenue Service (“ IRS ”), Federal Trade Commission (“ FTC ”), Federal Communication Commission (“ FCC ”) and state taxing authorities may conclude that we have violated federal laws, state laws or other rules and regulations, and we could be subject to fines, penalties or other actions that could adversely impact our financial results or our ability to conduct business. **17** Our **Our** telecommunications services are required to comply with industry standards, FCC regulations, privacy laws as well as certain state and local jurisdiction specific regulations. Failure to comply with existing laws and any new laws that may become applicable to us may subject us to penalties, increase our operation costs, and may also require us to modify existing products and / or service. The acceptance of telecommunications services is dependent upon our meeting certain industry standards. We are required to comply with certain rules and regulations of the FCC regarding safety standards. Standards are continuously being modified and replaced. As standards evolve, we may be required to modify our existing products or develop and support new versions of our products. We must comply with certain federal, state, and local requirements regarding how we interact with our customers, including marketing practices, consumer protection, privacy, and billing issues, the provision of 9- 1- 1 emergency service and the quality of service we provide to our

customers. The failure of our products and services to comply, or delays in compliance with various existing and evolving standards could delay future offerings and impact our sales, margins, and profitability. Changes to the Universal Service Funds by the FCC or various states may require us to increase our costs which could negatively affect revenue and margins. We are subject to Federal laws and FCC regulations that require us to protect customer information. While we have protections in place to protect customer information there is no assurance that our systems will not be subject to failure or intentional fraudulent attack. The failure to protect required information could subject us to penalties and diminish the confidence our customers have in our systems, which could negatively affect results. While we try to comply with all applicable data protection laws, regulations, standards, and codes of conduct, as well as our own posted privacy policies and contractual commitments to the extent possible, any failure by us to protect our users' privacy and data, including as a result of our systems being compromised by hacking or other malicious or surreptitious activity, could result in a loss of user confidence in our services and ultimately in a loss of users, which could materially and adversely affect our business as well as subject us to law suits, civil fines and criminal penalties. Governmental entities, class action lawyers and consumer advocates are reviewing the data collection and use by companies that must maintain such data. Our own requirements as well as regulatory codes of conduct, enforcement actions by regulatory agencies, and lawsuits by other parties could impose additional compliance costs on us as well as subject us to unknown potential liabilities. These evolving laws, rules and practices may also curtail our current business activities, which may delay or affect our ability to become profitable as well as affect customers and other business opportunities. In addition, several foreign countries and governmental bodies, including the E. U., Brazil and Canada, have laws and regulations concerning the collection and use of personally identifiable information obtained from their residents, including payment card information, which are often more restrictive than those in the U. S. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personally identifiable information, including payment card information identifying, or which may be used to identify, an individual, such as names, email addresses and, in some jurisdictions, Internet Protocol (IP) addresses, device identifiers and other data. Our phones may be moved to locations which could potentially subject us to jurisdiction. Also, websites we host may be available in these locations. As we conduct business or become deemed to conduct business in those foreign jurisdictions, we may become subject to those laws. We are also subject to the privacy and data protection- related obligations in our contracts with our customers and other third parties. Any failure, or perceived failure, to comply with federal, state, or international laws, or to comply with our contractual obligations related to privacy, could result in proceedings or actions against us which could result in significant liability to us as well as harm to our reputation. Additionally, third parties with whom we contract may violate or appear to violate laws or regulations which could subject us to the same risks. Any new laws, regulations, other legal obligations or industry standards, or any changed interpretation of existing laws, regulations or other standards may require us to incur additional costs and restrict our business operations. ~~Our~~ **19**Our collection, processing, storage, use, and transmission of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements, differing views on data privacy, or security breaches. We collect, process, store, use, and transmit personal data on a daily basis. Personal data is increasingly subject to legal and regulatory protections around the world, which vary widely in approach and which possibly conflict with one another. In recent years, for example, U. S. legislators and regulatory agencies, such as the Federal Trade Commission, as well as U. S. states have increased their focus on protecting personal data by law and regulation and have increased enforcement actions for violations of privacy and data protection requirements. California recently enacted legislation, the California Consumer Privacy Act (" CCPA ") that will, among other things, require covered companies to provide new disclosures to California consumers, and afford such consumers new abilities to opt- out of certain sales of personal information, which became effective January 1, 2020. While we believe that we are not a covered entity under the law, the effects of the CCPA potentially are significant, however, and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply. We may also from time to time be subject to, or face assertions that we are subject to, additional obligations relating to personal data by contract or due to assertions that self- regulatory obligations or industry standards apply to our practices. Washington and Massachusetts have also introduced significant privacy bills and Congress is debating federal privacy legislation, which if passed, may restrict our business operations and require us to incur additional costs for compliance. The European Commission also approved and adopted the General Data Protection Regulation (" GDPR "), its data protection law, which took effect in May 2018. A Data Protection Act substantially implementing the GDPR was enacted in the U. K., effective in May 2018. These data protection laws and regulations are intended to protect the privacy and security of personal data, including credit card information that is collected, processed, and transmitted in or from the relevant jurisdiction. We stopped hosting websites in GDPR- complaint countries or countries from which the bulk of business came from countries subject to GDPR. We also took steps to block those countries from accessing any other sites we host. While we do not currently provide services in countries where compliance would be required and are therefore not required to be compliant, if we did provide those services or otherwise were required to become complaint, implementation of and compliance with these laws and regulations may be more costly or take longer than we anticipate, or could otherwise adversely affect our business operations, which could negatively impact our financial position or cash flows. ~~18~~ **18** Additionally, ~~18~~ **18** media coverage of data breaches has escalated, in part because of the increased number of enforcement actions, investigations, and lawsuits. As this focus and attention on privacy and data protection increases, we also risk exposure to potential liabilities and costs resulting from compliance with or any failure to comply with applicable legal requirements, conflicts among these legal requirements, or differences in approaches to privacy. We face risks in our sales to certain market segments including, but not limited to, sales subject to HIPAA Regulations. We have sold and will continue to attempt to sell to certain customer segments which may have requirements for additional privacy or security. In addition, sales may be made to customers that are subject to additional security requirements. Selling into segments with additional requirements increases potential liability, which in some instances may be unlimited. While the Company believes it meets or exceeds all requirements for sales into such segments, there is no assurance that the Company

systems fully comply with all requirements. Our customers can use our services to store contact and other personal or identifying information, and to process, transmit, receive, store and retrieve a variety of communications and messages, including information about their own customers and other contacts. In addition, customers may use our services to store protected health information, or PHI, that is protected under the Health Insurance Portability and Accountability Act, or HIPAA. Noncompliance with laws and regulations relating to privacy and HIPAA may lead to significant fines, penalties or civil liability. We could be liable for breaches of security on our website, fraudulent activities of our users, or the failure of third-party vendors to deliver credit card transaction processing services. We engage in electronic billing and processing of our customers using secure transmission of sometimes confidential information over public networks. We have systems and processes in place that we deem sufficient and industry standard that are designed to protect consumer information and prevent fraudulent credit card transactions and other security breaches. However, there is no guarantee that such systems and processes will not experience a failure. Our failure to protect against fraud or breaches may subject us to costly breach notification and other mitigation obligations, class action lawsuits, investigations, fines, forfeitures, or penalties from governmental agencies that could adversely affect our operating results. We may be unable to prevent our customers from fraudulently receiving goods and services. Our liability could also increase if a large fraction of transactions using our services involve fraudulent or disputed credit card transactions. We may also experience losses due to customer fraud and theft of service. Customers have, in the past, obtained access to our service without paying for monthly service and international toll calls by unlawfully using fraudulently obtained codes. If our existing anti-fraud procedures are not adequate or effective, consumer fraud and theft of service could have a material adverse effect on our business, financial condition, and operating results. We could experience security breaches in the transmission and analysis of confidential and proprietary information of the consumer, the merchant, or both, as well as our own confidential and proprietary information. Anyone able to circumvent security measures could misappropriate proprietary information or cause interruptions in our operations, as well as the operations of the merchant. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. To the extent that we experience breaches in the security of proprietary information which we store and transmit, our reputation could be damaged, and we could be exposed to a risk of loss or litigation. **We** collect personal and credit card information from our customers and employees could misuse this information. The PCI Data Security Standard ("PCI DSS") is a specific set of comprehensive security standards required by credit card brands for enhancing payment account data security, including but not limited to requirements for security management, policies, procedures, network architecture, and software design. We maintain credit card and other personal information in our systems. Due to the sensitive nature of retaining such information we have implemented policies and procedures to preserve and protect our data and our customers' data against loss, misuse, corruption, misappropriation caused by systems failures, unauthorized access, or misuse. Notwithstanding these policies, we could be subject to liability claims by individuals and customers whose data resides in our databases for the misuse of that information. While the Company believes its systems meet or exceed industry standards, the Company does not believe it is required to meet PCI level 1 compliance and has not certified under that level. Failure to meet PCI compliance levels could negatively impact the Company's ability to collect and store credit card information which could cause substantial disruption to our business. Notwithstanding the results of this assessment there can be no assurance that payment card brands will not request further compliance assessments or set forth additional requirements to maintain access to credit card processing services, which could incur substantial additional costs and could have a material adverse effect on our business. ~~Our~~ **Our** ability to offer services outside the U. S. is subject to different regulations which may be unknown and uncertain. Regulatory treatment of VoIP providers outside the United States varies from country to country, and local jurisdictions. Many times, the laws are vague, unclear and regulations are not enforced uniformly. We are licensed as a VoIP seller in Canada and are considering expanding to other countries. We also cannot control if our customers take their devices out of the United States and use them abroad. Our resellers may sell to customers who maintain facilities outside the United States. The failure by us or our customers and resellers to comply with laws and regulations could reduce our revenue and profitability. As we expand to additional countries there may be additional regulations that we are required to comply with, the failure to comply or properly assess regulations may subject us to penalties, fines and other actions which could materially affect our business. Examinations by relevant tax authorities may result in material changes in related tax reserves for tax positions taken in previously filed tax returns or may impact the valuation of certain deferred income tax assets, such as net operating loss carry-forwards. Based on the outcome of examinations by relevant tax authorities, or as a result of the expiration of statutes of limitations for specific jurisdictions, it is reasonably possible that the related tax reserves for tax positions taken regarding previously filed tax returns will materially change from those recorded in our financial statements. In addition, the outcome of examinations may impact the valuation of certain deferred income tax assets (such as NOL carry-forwards) in future periods. It is not possible to estimate the impact of the amount of such changes, if any, to previously recorded uncertain tax positions. The FCC net neutrality rules have changed. There may be a negative effect to our business going forward as a consequence of those changes. On January 4, 2018, the FCC, released an order that largely repeals rules that the FCC had in place which prevented broadband internet access providers from degrading or otherwise disrupting a broad range of services provisioned over consumers' and enterprises' broadband internet access lines. **The order was recently found by a Court to be defective and invalidated. There are will be appeals and the Supreme Court has not ruled on the validity. Until the ruling is settled, or** efforts in Congress to prevent the order from becoming effective **becomes law** and a number of state attorneys general have filed an appeal of the **rule remains unsettled** FCC's January 4, 2018 order. Many of the largest providers of broadband services, like cable companies and traditional telephone companies, have publicly stated that they will not degrade or disrupt their customers' use of applications and services, like ours. However, there is ~~not~~ **no** guarantee that they will continue to do such. If such providers were to degrade, impair, or block our services, it would negatively impact our ability to provide services to our customers, likely result in lost revenue and profits, and we would incur legal fees in attempting to restore our customers' access to our services. Broadband internet access

providers may also attempt to charge us or our customers additional fees to access services like ours that may result in the loss of customers and revenue, decreased profitability, or increased costs to our offerings that may make our services less competitive. Following the adoption of the January 4, 2018 order, a number of states have passed laws establishing rules similar to those that existed prior to the effective date of the January 4, 2018 order. States have adopted a variety of approaches in attempting to preserve the rules in place prior to the order. We however cannot rely on those laws as there is legal uncertainty as to whether states that have passed such laws have the authority to do so if such laws as they could be interpreted to conflict with the January 4, 2018 order. ~~The U. S. Department of Justice has taken the position that local authorities do not have the authority to contradict the FCC's January 4, 2018 order. We cannot predict the ultimate outcome of these disputes. President Biden and numerous Senators have criticized the current status of net neutrality, at this time we are not aware if there will be legislation that might reimpose the prior regulations.~~ States are adding regulations for VoIP providers which could increase our costs and change certain aspects of our service. Certain states take the position that offerings by VoIP providers are intrastate and therefore subject to state regulation. We have registered as a competitive local exchange carrier ("CLEC") in most states; however, our rates are not regulated in the same manner as traditional telephone service providers. Some states ~~are also requiring~~ **require** that we register as a seller of VoIP services even though we have registered as a CLEC. Some states argue that if the beginning and desktop devices of communications are known, and if some of these communications occur entirely within the boundaries of a state, the state can regulate that offering and may therefore add additional taxes or surcharges or regulate rates in a similar matter to traditional telephone service providers. We believe that the FCC has pre-empted states from regulating VoIP providers in the same manner as providers of traditional telecommunications services. We cannot predict how this issue will be resolved or its impact on our business at this time. ~~Taxing~~ **21Taxing** authorities may successfully assert that we should have collected or in the future should collect sales and use, value added, or similar taxes, and any such assessments could adversely affect our business, financial condition, and results of operations. Jurisdictions in which we do not collect sales, use, value added, or similar taxes on VoIP services or other products may assert that such taxes are applicable, which could result in tax assessments, penalties, and interest, and ~~we~~ may be required to collect such taxes in the future. Such tax assessments, penalties, interest, or future requirements would adversely affect our financial condition and results of operations. Further, in June 2018, the Supreme Court held in *South Dakota v. Wayfair, Inc.* that states could impose sales tax collection obligations on out- of- state sellers even if those sellers lack any physical presence within the states imposing the sales taxes. Under *Wayfair*, a person requires only a "substantial nexus" with the taxing state before the state may subject the person to sales tax collection obligations therein. An increasing number of states (both before and after the publication of *Wayfair*) have considered or adopted laws that attempt to impose sales tax collection obligations on out- of- state sellers. The Supreme Court's *Wayfair* decision has removed a significant impediment to the enactment and enforcement of these laws, and it is possible that states may seek to tax out- of- state sellers on sales that occurred in prior tax years, which could create additional administrative burdens for us, put us at a competitive disadvantage if such states do not impose similar obligations on our competitors, and decrease our future sales, which would adversely impact our business, financial condition, and results of operations. ~~20~~ **We** ~~We~~ incur increased costs and demands on management as a result of compliance with laws and regulations applicable to public companies, which could harm our future operating results. As a public company we incur significant legal, accounting, and other expenses, including costs associated with public company reporting requirements. Our management team and other personnel devote a substantial amount of time complying with SEC, Nasdaq and other public company requirements. The growth of our business may require that we strengthen our financial reporting systems and infrastructure **and** if we fail to do so we may not remain in compliance with Section 404 of the Sarbanes- Oxley Act over internal control over financial reporting. If we fail to maintain compliance, we could be unable to report our financial results timely and accurately or prevent fraud. We may incur significant ~~expense~~ **expenses** and devote substantial management effort toward strengthening our systems. From time to time we had been the subject of governmental inquiries and investigations related to our discontinued seminar sales model and business practices that could require us to pay refunds, damages or fines, which could negatively impact our financial results or ability to conduct business. We have received customer complaints and civil actions. From time to time, we received inquiries from federal, national, state, city and local government officials in the various jurisdictions in which we operated - ~~These inquiries have historically been related to our discontinued seminar sales practices. There is still the potential of review of past sales and sales of our current web and telecom services.~~ We respond to these inquiries and have generally been successful in addressing the concerns of these persons and entities, without a formal complaint or charge being made, although there is often no formal closing of the inquiry or investigation. If the ultimate resolution of these or other inquiries or investigations is not in our favor, this may have a material adverse effect on our business or operations, or a formal complaint could be initiated. During the ordinary course of business, we also receive a number of complaints and inquiries from customers, governmental and private entities. In some cases, these complaints and inquiries from agencies and customers have ended up in civil court. We may continue to receive customer and agency claims and actions. We may incur substantial expenses in defending against third-party patent and trademark infringement claims regardless of their merit. From time to time, parties may assert patent infringement claims against us in the form of letters, lawsuits, and other forms of communication. Third parties may also assert claims against us alleging infringement of copyrights, trademark rights, trade secret rights or other proprietary rights or alleging unfair competition. If there is a determination that we have infringed third- party proprietary rights, we could incur substantial monetary liability and be prevented from using the rights in the future. ~~Risks~~ **22Risks** Related to Our Common Stock Our stock price may be volatile and may decline. The trading price and volume of our common stock is likely to be volatile and could fluctuate significantly in response to numerous factors, many of which are beyond our control, including: ● actual or anticipated fluctuations in our results of operations due to, among other things, changes in customer demand, pricing, ordering patterns, and unforeseen operating costs; ● developments, status, and impact on us, our competitors, our constituents, and our suppliers related to supply chain disruptions; ● failure of research analysts to maintain coverage or the ability to get additional coverage, changes

in financial estimates or ratings by any research analysts who follow us, or our failure to meet these estimates or the expectations of investors; • announcements by us or our competitors of significant technical innovations, substantial promotions, price reductions, acquisitions, strategic partnerships, or joint ventures; • changes in operating performance and stock market valuations of other competitive companies generally, or those in the telecommunication and related services industry; • cyclical fluctuations; • price and volume fluctuations in the overall stock market from time to time, including as a result of trends in the economy as a whole; • actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally; • new laws or regulations or new interpretations of existing laws, or regulations applicable to our business; • any major change in our management; • lawsuits threatened or filed against us; and • other events or factors, including those resulting from war, incidents of terrorism, the COVID- 19 pandemic or responses to these events. ~~21~~**In** addition, the market for telecommunication stocks and the stock markets in general have experienced extreme price and volume fluctuations. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. The COVID- 19 pandemic has also caused significant uncertainty and volatility in global and domestic financial markets and the trading prices for the common stock of technology companies, including us. In the past, stockholders ~~have~~ instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business, financial condition, and results of operations. ~~Our securities have been thinly traded.~~ An active trading market in our equity securities may cease to exist, which would adversely affect the market price and liquidity of our common stock, in addition our stock price has been subject to fluctuating prices. Our stock price may also be affected by any merger, acquisition, or need for future sales of our common stock or equity- linked securities in the public market. Our common stock is currently traded on the Nasdaq Capital Market. We cannot predict the actions of market makers, investors or other market participants, and can offer no assurances that the market for our securities will be stable. If there is no active trading market in our equity securities, the market price and liquidity of the securities will be adversely affected. The market price of our common stock could decline as a result of a merger, acquisition, or sales of a large number of shares of our common stock in the market or the perception that these sales could occur. Such sales or offerings could lower the market price for our common stock and may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. We may issue shares as part of a merger transaction, an acquisition or otherwise sell additional shares of our common stock or equity- linked securities to raise capital. A substantial number of shares of our common stock could be registered and issued. Furthermore, there are substantial amounts of vested stock options which are “ in the money ” which could be exercised and sold in public markets. The Company continues to expect to issue stock options as part of compensation. The Company further expects to request a new equity incentive plan be to accommodate additional stock options to allow the Company to properly incorporate any mergers or acquisitions. There may be further effect on our stock price upon the vesting and settlement of restricted stock units and performance units. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock or equity- linked securities as in this offering, or the perception that such issuances and sales may occur, could adversely affect the trading price of our common stock and impair our ability to raise capital through the sale of additional equity or equity- linked securities. Additional dilution will also result as a consequence of shares of common stock sold pursuant to ~~this offering and~~ potential future offerings as well as if outstanding options to acquire shares of our common stock are exercised. We are a “ smaller reporting company, ” and the reduced disclosure requirements applicable to us as such may make our common shares less attractive to our stockholders and investors. We are a “ smaller reporting company ” under the federal securities laws and, as such, are subject to scaled disclosure requirements afforded to such companies. For example, as a smaller reporting company, we are subject to reduced executive compensation disclosure requirements. Our stockholders and investors may find our common shares less attractive as a result of our status as a “ smaller reporting company ” and our reliance on the reduced disclosure requirements afforded to these companies. If some of our stockholders or investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and the market price of our common shares may be more volatile. ~~Our~~**23**~~Our~~ actual operating results may not meet expectations, which could likely cause our stock price to decline. We have historically not provided guidance in our earnings releases, earnings conference calls, or otherwise. Management in the future may change this policy and provide future guidance. If given, this guidance, which will include forward- looking statements, will be based on projections prepared by our management. Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control. With or without our guidance, analysts, and other third parties may publish expectations regarding our business, financial condition, and results of operations. We do not accept any responsibility for any projections or reports published by any such third parties. Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. If our actual performance does not meet or exceed our guidance or expectations, the trading price of our common stock is likely to decline. ~~22~~~~Our~~ ~~Our~~ stock price, volatility and acceptance of our securities may be influenced by the research and reports that securities or industry analysts may publish about us or our business. The Company cannot guarantee if there will be research reports written on the Company. Our stock price may be affected by the ability to get coverage and / or sufficient coverage. If coverage is initiated and / or if one or more of current or future analysts who cover us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts, after issuing coverage ceases coverage of the Company or fails to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline. Furthermore, such analysts publish their own projections regarding our actual results. These projections may vary widely from one another and may not accurately predict the results we actually achieve. Our stock price may decline if we fail

to meet analysts' projections. Lack of sufficient stockholder equity or continued losses from operations could subject us to fail to comply with the listing requirements of the Nasdaq Capital Market, if that occurred, the price of our common stock and our ability to access the capital markets could be negatively impacted, and our business will be harmed. Our common stock is currently listed on the Nasdaq Capital Market. Our stock was previously traded in the over-the-counter market prior to which it was traded on the New York Stock Exchange and failed to maintain the continued listing qualifications. We cannot guarantee that we will always meet Nasdaq listing qualifications. There remains the possibility of future losses. It is possible we may not remain in compliance with the minimum conditions of Nasdaq listing qualifications. Delisting from the Nasdaq Capital Market could negatively affect the trading price of our stock and could also have other negative results, including the potential loss of confidence by suppliers and employees, the failure to attract the interest of institutional investors, and fewer business development opportunities. We may invest or spend the proceeds of our cash both from operations and from past and future offerings in ways with which you may not agree or in ways which may not yield a favorable return. Our management will have considerable discretion in the application of the net proceeds of this offering, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The net proceeds may be used for corporate purposes that do not increase the value of our business, which could cause our stock price to decline. See the section of this prospectus titled "Use of Proceeds." Future offerings, acquisitions or mergers could cause substantial dilution of their ownership interest. If the Company undertakes future offerings, or the Company issues stock compensation in an acquisition or merger stockholders will have a dilution in their ownership percentage of stock which may be substantial depending upon the amount of shares which may be required. Our former Chairman of the Board owns a significant amount of our common stock and could exercise substantial corporate control. There may be limited ability to sell the Company absent the consent of the Chairman. Steven G. Mihaylo, who was previously our Chief Executive Officer and former Chairman of the Board of Crexendo, Inc., owns approximately 43 % of the outstanding shares of our common stock based on the number of shares outstanding as of December 31, 2023-2024. Mr. Mihaylo may have the ability to determine the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, amalgamation, consolidation or sale of all or substantially all of our assets. Mr. Mihaylo may have the ability to control the management and affairs of our Company. As a "control company" it may not be required that the Company maintains a board comprising a majority of independent directors. Mr. Mihaylo remains a director and as such, Mr. Mihaylo owes a fiduciary duty to our stockholders. As a stockholder, Mr. Mihaylo is entitled to vote his shares, in his own interests, which may not always be in the interests of our stockholders generally. Accordingly, even though certain transactions may be in the best interests of other stockholders, this concentration of ownership may harm the market price of our common stock by, among other things, delaying, deferring or preventing a change in control of our Company, impeding a merger, amalgamation, consolidation, takeover or other business combination involving our Company, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company. In addition, sales or other dispositions of our shares by Mr. Mihaylo may depress our stock price. Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock. As additional shares of our common stock become available for resale in the public market, the supply of our common stock will increase, which could result in a decrease in the market price of our common stock. Some of the provisions of our articles of incorporation bylaws and executive contracts could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our stockholders by providing them with the opportunity to sell their shares at a premium to the then market price. Our bylaws contain provisions regulating the introduction of business at annual stockholders' meetings by anyone other than the board of directors. These provisions may have the effect of making it more difficult, delaying, discouraging, preventing or rendering costlier an acquisition or a change in control of our Company. As part of our recent acquisitions there are certain employees who own substantial amounts of our common stock which is subject to sale on the open market. The NetSapiens acquisition allowed employees to convert their options to options to purchase common stock of Crexendo. The substantial purchase price of our acquisition of both NetSapiens and Allegiant involved the issuing of our common stock. The lock up period for the purchase of both companies has expired. The stock issued in the Allegiant acquisition has been subsequently sold on the open market. The NetSapiens has ended, and there is a rolling two-year lock-up of the stock that was part of the consideration for the purchase of Allegiant. These employees who acquired the stock may sell their shares on the open market, which may depress our stock price. Sales of a significant number of shares of our common stock in the public market could harm the market price of our common stock. In the NetSapiens transaction the Company issued approximately 4,482,328 stock options to NetSapiens employees. At present December 31, 2024, approximately 321,627,779-321,627,779 remain available for conversion. Many of the options contain a stock price under \$ 1.00, so there is minimal no impediment to convert those options to common shares of Crexendo stock. The right to exercise the options terminates on expires between March 11, 2026 through January 4, 2031. If the stock options shares were converted in a "net-net settlement exercise" there would be considerable cost associated with the tax payments which would be borne by the Company which could substantially negatively affect results negatively our cash balance, which in turn could negatively affect the stock prices for shares of the Company. If some or all of the options were exercised in a net settled settlement exercise at the same time, it could negatively affect the stock price for shares of the Company. There is no guarantee that Crexendo and recently acquired companies will fully integrate operations or failure to properly manage the acquisitions could impact financial results and our stock price and our future business and financial results. The success of the Allegiant acquisition and future acquisitions will depend, in part, on our ability to successfully integrate the business and operations and fully realize the anticipated benefits and synergies from combining the businesses. However, to realize these anticipated benefits and synergies, the businesses must be successfully combined. If we are not able to achieve these objectives, the anticipated benefits and synergies may not be realized fully or at all or may take longer to realize than expected. Any failure to timely realize these anticipated benefits could have a material adverse effect on our revenues, expenses and operating results. We have integrated

most of the operations from the NetSapiens acquisition, we are beginning to see the efficiencies from combining the operations, there is no guarantee however that those efficiencies will fully materialize. **Post- Acquisition Integration Risks of new Acquisitions. The integration of future acquisitions may not go as planned, resulting in operational inefficiencies, cultural conflicts, and failure to achieve anticipated synergies. If that occurs it would negatively impact our results of operation and profitability.** We are planning to migrate most of Crexendo's customers to the Crexendo Software Solutions communication platform, failure to do that efficiently and properly may impact our business revenue and stock price. We are continuing the process of moving certain Crexendo customers to the Crexendo Software Solutions **VIP** communication platform while retaining some customers on the Crexendo Ride the Cloud® **classic** system. There can be significant cost savings associated with consolidating all customers on one communication platform. The failure to properly migrate customers could cause customer service issues which could cause cancellations and loss of revenue. There may be expenses and other difficulties involved in migrating customers, which may cause substantial short- term expenses prior to realizing the anticipated cost savings from primarily operating one system. We may be unable to realize **the** efficiencies of primarily maintaining one communication platform. ~~We have incurred and still have some continuing transaction costs in connection with Acquisitions. We have incurred significant costs in connection with the recent acquisitions including legal, accounting, financial consulting, and related fees. There will be costs associated with combining accounting systems. We may also incur fees and costs related to these integration plans. We may be unable to realize efficiencies that would allow us, over time, to offset the costs incurred in connection with acquisitions.~~ Crexendo **25Crexendo** may have difficulty attracting, motivating and retaining executives and other key employees. Crexendo may have difficulty in attracting, retaining and motivating key personnel. Executives from acquired companies own substantial shares of our common stock and / or have stock option grants, the payment from which could provide sufficient financial incentive for certain officers and employees to no longer pursue employment. If key employees depart, we may have to incur significant costs in identifying, hiring and retaining replacements for departing employees, which could reduce our ability to realize the anticipated benefits of the Merger. **The telecommunications and technology industries face stiff competition for top talent. Failure to attract and retain skilled professionals, especially in engineering, sales, and management, could hinder** ~~24Crexendo~~ **Crexendo's growth and innovation.** Crexendo's business relationships, including customer relationships, may be subject to disruption due to Acquisitions. Parties with which Crexendo does business ~~with~~ may experience uncertainty associated with acquisitions and business relationships may be subject to disruption as customers and others may attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than Crexendo. These disruptions could have an adverse effect on the businesses, financial condition, results of operations or prospects of the combined business. The market price of our Common Stock after recent and future acquisitions may be affected by factors different from those affecting our ~~Common~~ **common Stock stock** currently. The market price of our ~~Common~~ **common Stock stock** may decline as a result of acquisitions. The businesses of Crexendo and NetSapiens differ, the business of Allegiant differs as they are a MSP, and provide cabling services, future acquisitions may have different lines of business and, accordingly, the results of operations and the market price of our ~~Common~~ **common Stock stock** following the acquisitions and the combination of the businesses may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each of the parties if they were stand alone. The market price of our ~~Common~~ **common Stock stock** may decline as a result of the acquisitions if, among other things, we are unable to achieve growth in earnings or, if we incur expenses in excess of what is anticipated, or we otherwise fail to achieve anticipated operational efficiencies. The market price also may decline if we do not achieve the perceived benefits of the acquisitions as rapidly or to the extent anticipated by the investment community or if the effect of the acquisitions on our financial results is not consistent with the expectations of the investment community. There may be substantial selling of stock by ~~shareholders~~ **stockholders** who received shares of Crexendo stock in the acquisitions. We expect to continue to undertake acquisitions, mergers or change to our capital structure to expand our business, which may pose risks to our business and dilute the ownership of our existing stockholders. As part of a potential growth strategy, we expect to continue to attempt to acquire or merge with certain businesses. Whether we realize benefits from any such transactions will depend in part upon the integration of any acquired businesses, the performance of the acquired products, services and capacities of the technologies acquired, as well as the personnel hired in connection therewith. Accordingly, our results of operations could be adversely affected from transaction- related charges, amortization of intangible assets, and charges for impairment of long- term assets. While we believe that we have established appropriate and adequate procedures and processes to mitigate these risks, there can be no assurance that any potential transaction will be successful.