Risk Factors Comparison 2024-03-29 to 2023-03-06 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Related to our Business and Industry If our efforts to attract and retain members are not successful, our business will be adversely affected. We have experienced significant member growth since we began our digital subscription business in 2013. Our ability to continue to attract members will depend in part on our ability to consistently provide our members with a valuable and quality streaming experience. Furthermore, the relative service levels, content offerings, pricing and related features of our competitors may adversely impact our ability to attract and retain members. We compete for screen viewing time with multichannel video programming distributors providing free- on- demand content through authenticated internet applications, internet- based movie and TV content providers, including both those that provide legal and illegal (or pirated) streaming video content, and streaming video retail stores, video game providers, as well as user- generated content and, more broadly, other sources of entertainment among others. If consumers do not perceive our service offering to be of value, or if we introduce new or adjust existing features or change the mix of content in a manner that is not favorably received by them, we may not be able to attract and retain members. Adverse macroeconomic conditions, including inflation, may also adversely impact our ability to attract and retain members. In addition, many of our members originate from word- of- mouth advertising from existing members. If our efforts to satisfy our existing members are not successful, we may not be able to attract new members, and as a result, our ability to maintain and / or grow our business will be adversely affected. Members cancel our service for many reasons, including a perception that they do not use the service sufficiently, the need to cut household expenses, unsatisfactory availability of content, competitive services providing a better value or experience and customer service issues not satisfactorily resolved. We must continually add new members both to replace members who cancel and to grow our business beyond our current member base. If too many of our members cancel our service, or if we are unable to attract new members in numbers sufficient to sustain and grow our business, our operating results will be adversely affected. If we are unable to successfully compete with current and new competitors in both retaining our existing members and attracting new members, our business will be adversely affected. Further, if excessive numbers of members cancel our service, we may be required to incur significantly higher marketing expenditures than we currently anticipate in order to replace these members with new members. If we are unable to compete effectively, our business will be adversely affected. The market for streaming content is intensely competitive and subject to rapid change. New technologies and evolving business models for delivery of streaming content continue to develop at a fast pace. Through new and existing distribution channels, consumers are afforded various means for consuming streaming content. The various economic models underlying these differing means of streaming content delivery include subscription, transactional, ad- supported and piracy- based models. All of these have the potential to capture meaningful segments of the streaming content market. Several competitors have longer operating histories, larger customer bases, and stronger brand recognition than we do and have significant financial, marketing and other resources. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to technology and marketing. New entrants may enter the market with unique service offerings or approaches to providing streaming content and other companies also may enter into business combinations or alliances that strengthen their competitive positions. **In addition, new technological developments, including the development and use of generative artificial intelligence, are rapidly evolving.** If we are unable to successfully compete with current and new competitors, programs and technologies, our business will be adversely affected, and we may not be able to increase market share and revenues, and achieve profitability. We have had operating losses, and we cannot assure future profitability. We reported net loss of $ ~~3~~ **5** . ~~1~~ **6** million in ~~2022~~ **2023** compared to net ~~income~~ **loss** of $ 3. ~~7~~ **6** million in ~~2021~~ **2022** . Additionally, we reported net losses during several prior years as a result of continued investment in member acquisition efforts to drive revenue growth. No assurance can be made that we will operate profitably in future periods and, if we do not, we may not be able to meet any future debt service requirements, working capital requirements, capital expenditure plans, production slate, acquisition plans or other cash needs. Our inability to meet those needs could have a material adverse effect on our business, financial condition, operating results, liquidity and prospects. If we are not able to manage change and growth, our business could be adversely affected. We are expanding our operations internationally, scaling our streaming service to effectively and reliably handle anticipated growth in both members and features related to our service. As we expand internationally, we are managing our business to address varied content offerings, consumer customs and practices, in particular those dealing with e- commerce and internet video, as well as differing legal and regulatory environments. As we scale our streaming service, we are developing technology and utilizing third- party internet- based or " cloud " computing services. If we are not able to manage the growing complexity of our business, including improving, refining or revising our systems and operational practices related to our streaming operations, our business could be adversely affected. If our efforts to build unique brand identity and improve member satisfaction and loyalty are not successful, we may not be able to attract or retain members, and our operating results may be adversely affected. We must continue to build and maintain a unique brand identity. We believe that a unique brand identity will be important in attracting and retaining members who have a number of choices from which to obtain streaming content. To build a unique brand identity, we believe we must continue to offer content and service features that our members value and enjoy. We also believe that these must be coupled with effective consumer communications, such as marketing, customer service and public relations. If our efforts to promote and maintain our brand identity are not successful, our ability to attract and retain members may be adversely affected. Such a result may adversely affect our operating results. With respect to our expansion into international markets, we will also need to establish our brand identity in new markets and languages, and to the extent we are not successful, our business in new markets may be adversely impacted. Changes in our member acquisition sources could adversely affect our marketing expenses and member levels may be adversely affected. We utilize a broad mix of marketing and public relations programs, including social media websites such as Facebook and YouTube, to promote our service to potential new members. We may limit or discontinue use or support of certain marketing sources or activities if advertising rates increase or if we become concerned that members or potential members deem certain marketing practices intrusive or damaging to our brand. If available marketing channels are limited or curtailed, our ability to attract new members may be adversely affected. Companies that currently promote our services may cease promoting our services, may determine to compete more directly with our business or enter a similar business, or may decide to exclusively support our competitors. If we no longer have access to such marketing channels, our marketing efforts may be adversely affected. If we are unable to maintain or replace our sources of members with similarly effective sources, or if the cost of our existing sources increases, our member levels and marketing expenses may be adversely affected. We face risks, such as unforeseen costs and potential liabilities in connection with content we produce, license and / or distribute through our service. As a producer and distributor of content, we face potential liability for defamation, negligence, copyright or trademark infringement, misinformation, personal injury torts or other claims based on the nature and content of materials that we produce, license and / or distribute. We also face potential liability for content used in promoting our service, including marketing materials and features on our platform such as member reviews. Allegations of impropriety, even if unfounded, could have a material adverse effect on our reputation and our business. We are responsible for production costs and other expenses related to our original content. We also take on risks associated with this production, such as completion and key talent risk. To the extent we do not accurately anticipate costs or mitigate risks, or if we become liable for content we produce, license and / or distribute, our business may suffer. Litigation to defend these claims could be costly and the expenses and damages arising from any liability or unforeseen production risks could harm our results of operations. We may not be indemnified to cover claims or costs of these types and we may not have insurance coverage for these types of claims. Problematic content accessed through our service, including content that violates our content guidelines or the content guidelines of our partners, could damage our reputation and hurt our ability to retain and expand our base of members and partners. Our ability to maintain and protect our brand depends, in part, on our ability to maintain the quality and integrity of the content and other information accessed through our streaming service. While we undertake efforts to detect and prevent problematic content and to ensure our content complies with our content guidelines and the content guidelines of our third- party partners, no assurance can be given that such efforts will be error- free. If we fail to either detect and prevent problematic content or effectively promote high- quality content, it could hurt our reputation and confidence in our brand, thereby negatively affecting the use of our service and our financial performance. In addition, our partners may refuse to carry the Gaia " app " on their platform if our content violates their content guidelines. Problematic content accessed through our service may also subject us to media, legal or regulatory scrutiny, which could adversely affect our reputation and brand. If we fail to maintain a positive reputation concerning our service and the content we offer, we may not be able to attract or retain members, we may face regulatory scrutiny and our operating results may be adversely affected. We believe that a positive reputation concerning our service is important in attracting and retaining members. To the extent our content, in particular, our original programming, is perceived as low quality, offensive or otherwise not compelling to consumers, our ability to establish and maintain a positive reputation may be adversely impacted. To the extent our content is deemed controversial or offensive by government regulators, we may face direct or indirect retaliatory action or behavior, including being required to remove such content from our service, our entire service could be banned and / or become subject to heightened regulatory scrutiny across our business and operations. We could also face boycotts which could adversely affect our business. Furthermore, to the extent our response to government action or our marketing, customer service and public relations efforts are not effective or result in negative reaction, our ability to establish and maintain a positive reputation may likewise be adversely impacted. There is an increasing focus from regulators, investors, members and other stakeholders on environmental, social and governance (" ESG ") matters, both in the United States and internationally. To the extent the content we distribute and the manner in which we produce content creates ESG related concerns, our reputation may be harmed. Increases in payment processing fees, changes to operating rules, the acceptance of new types of payment methods or payment fraud could increase our operating expenses and adversely affect our business and results of operations. Our members pay for our services predominately using credit and debit cards. Our acceptance of these payment methods requires our payment of certain fees. From time to time, these fees may increase, either as a result of rate changes by the payment processing companies or as a result of a change in our business practices which increase the fees on a cost- per- transaction basis. Such increases may adversely affect our results of operations. We are subject to rules, regulations and practices governing our accepted payment methods. These rules, regulations and practices could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept these payment methods, and our business and results of operations would be adversely affected. We accept payment methods other than credit and debit cards. As our service continues to evolve and expand internationally, we will likely continue to explore accepting various forms of payment, which may have higher fees and costs than our currently accepted payment methods. If more consumers utilize higher cost payment methods our payment costs could increase and our results of operations could be adversely impacted. In addition, we do not obtain signatures from members in connection with their use of payment methods. To the extent we do not obtain members' signatures, we may be liable for fraudulent payment transactions, even when the associated financial institution approves payment of the orders. From time to time, fraudulent payment methods are used to obtain service. While we do have safeguards in place, we nonetheless experience some fraudulent transactions. We do not currently carry insurance against the risk of fraudulent payment transactions. A failure to adequately control fraudulent payment transactions would harm our business and results of operations. We rely upon a number of partners to offer instant streaming of content to various devices. We currently offer members the ability to receive streaming content through a host of internet- connected devices, including internet- enabled TVs, digital video players and mobile devices. We intend to continue to broaden our capability to instantly stream content to other platforms over time. If we are not successful in maintaining existing relationships and creating new ones, or if we encounter technological, content licensing or other impediments to our streaming content, our ability to grow our business could be adversely impacted. We have agreements with third party partners, pursuant to which each makes available an “ app ” for viewing our content on its platform. Our agreements with our partners are typically between one and three years in duration and our business could be adversely affected if, upon expiration, our partners do not continue to provide access to our service or are unwilling to do so on terms acceptable to us, which terms may include the degree of accessibility and prominence of our service. We may be further harmed if these partners decide to remove our apps from their respective platforms for any other reason at any time. Furthermore, the devices consumers use to access our content are manufactured and sold by entities other than Gaia and the devices’ performance and the connection between these devices and our service may result in consumer dissatisfaction that could result in claims against us or otherwise adversely impact our business. In addition, technology changes to our streaming functionality may require that partners update their devices. If partners do not update or otherwise modify their devices, our service and our members’ use and enjoyment could be negatively impacted. We may face quarterly and seasonal fluctuations that could harm our business. Our revenues and results of operations have fluctuated in the past, and will likely continue to fluctuate, on a quarterly basis. Such fluctuation is the result of a seasonal pattern that reflects variations when consumers are typically spending more time indoors and, as a result, tend to increase their viewing, similar to those of general video streaming services. **We** ~~The effects of the global pandemic~~ have **generally** ~~shifted our historical pattern over the past three years, but we have historically~~ experienced the greatest member growth in the fourth and first quarters (October through February), and slowest during May through August. This ~~has historically driven~~ **drives** quarterly variations in our spending on member acquisition efforts and the number of net new subscribers we add each quarter but does not result in a corresponding seasonality in net revenue ~~. As the world emerges from the effects of the pandemic, we expect these seasonal trends to return~~ . As we continue to expand internationally, we also expect regional seasonality trends to demonstrate more predictable seasonal patterns as our service offering in each market becomes more established and we have a longer history to assess such patterns. Acquisitions and new initiatives may harm our financial results. We have historically expanded our operations in part through strategic acquisitions and through new initiatives that we generate. We cannot accurately predict the timing, size and success of these efforts. Our acquisition and new initiative strategies involve significant risks that could inhibit our growth and negatively impact our operating results, including the following: our ability to identify suitable acquisition candidates or new initiatives at acceptable prices; our ability to complete the acquisitions of candidates that we identify or develop our new initiatives; our ability to compete effectively for available acquisition opportunities; increases in asking prices by acquisition candidates to levels beyond our financial capability or to levels that would not result in the returns required by our acquisition criteria; diversion of management’ s attention to expansion efforts; unanticipated costs and contingent liabilities associated with acquisitions and new initiatives; failure of acquired businesses or new initiatives to achieve expected results; our failure to retain key customers or personnel of acquired businesses and difficulties entering markets in which we have no or limited experience. In addition, the size, timing and success of any future acquisitions and new initiatives may cause substantial fluctuations in our operating results from quarter to quarter. Consequently, our operating results for any quarter may not be indicative of the results that may be achieved for any subsequent quarter or for a full fiscal year. These fluctuations could adversely affect our results ~~. The coronavirus (COVID 19) pandemic, or other outbreaks of disease or similar public health threats, including responses to such outbreaks, could materially and adversely impact our business and results of operations. The outbreak of COVID- 19, and any other outbreaks of contagious diseases or other adverse public health developments in the United States or worldwide, could have a material adverse effect on our business and results of operations. The ongoing COVID- 19 pandemic and the various responses to it have created significant volatility, uncertainty and economic disruption. The full extent to which the ongoing COVID- 19 pandemic and the various responses to it impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic; governmental, business and individuals’ actions that have been and continue to be taken in response to the pandemic; the effect on our members and consumer demand for and ability to pay for our services; and disruptions or restrictions on our employees’ ability to work and travel. We will continue to actively monitor the issues raised by the COVID- 19 pandemic and may take further actions that alter our business operations, as may be required by federal, state, local or foreign authorities, or that we determine are in the best interests of our employees, members, partners and stockholders. It is not clear what the potential effects any such alterations or modifications may have on our business, including the effects on our members, suppliers or vendors, or on our financial results. In addition to the potential direct impacts to our business, the global economy may continue to be impacted as a result of the actions taken in response to COVID- 19. To the extent that such a weakened global economy impacts consumers’ ability or willingness to pay for our service or vendors’ ability to provide services to us, especially those related to our content productions, we could see our business and results of operations negatively impacted~~ . Risks Related to Information Technology and Privacy We could be harmed by data loss or other security breaches. As a result of our services being internet- based and the fact that we process, store, and transmit data, including personal information, for our members, failure to prevent or mitigate data loss or other security breaches, including breaches of our suppliers’ technology and systems, could expose us or our members to a risk of loss or misuse of such information, adversely affect our operating results, result in litigation or potential liability for us, and otherwise harm our business. We use third- party technology and systems for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to members, back- office support, and other functions. Although we have implemented systems and processes that are designed to protect member information and prevent data loss and other security breaches, including systems and processes designed to reduce the impact of a security breach at a third- party supplier, such measures cannot provide absolute security. Any significant disruption in our network or information systems or those of third parties that we utilize in our operations could result in a loss or degradation of service and could adversely impact our business. Our reputation and ability to attract, retain and serve our members is dependent upon the reliable performance of our network and information systems and those of third parties that we utilize in our operations. We experience occasional system interruptions and delays that make our websites and services unavailable or slow to respond and prevent us from efficiently providing services to our members, which may reduce the attractiveness of our services. If we are unable to effectively upgrade our systems and network infrastructure, and take other steps to improve the efficiency of our systems, we could face system interruptions or delays that may adversely affect our operating results. Our systems may be subject to damage or interruption from adverse weather conditions, natural disasters, **public health issues such as pandemics or epidemics, national or international conflicts, including war, civil disturbances and** terrorist attacks **, rogue employees** , power loss, telecommunications failures, computer viruses, computer denial of service attacks, or other attempts to harm these systems. Interruptions in these systems, or to the internet in general, could make our service unavailable or degraded or otherwise hinder our ability to deliver content to our members. Service interruptions, errors in our software or the unavailability of network or information systems used in our operations could diminish the overall attractiveness of our membership service to existing and potential members. We utilize third- party internet- based or “ cloud ” computing services in our business operations. We also utilize third- party content delivery networks to help us stream content in high volume to our members over the internet. Problems with these systems faced by us or our service providers, including technological or business- related disruptions, could adversely impact the experience of our members. Any significant disruption in or unauthorized access to our network or information systems or those of third parties that we utilize in our operations arising from cyber- attacks could result in a loss or degradation of service, unauthorized disclosure of data (including member and corporate information), or theft of intellectual property, including digital content assets, which could adversely impact our business. Our network and information systems and those of third parties we use in our operations are vulnerable to cybersecurity threats, including cyber- attacks such as computer viruses, denial of service attacks, physical or electronic break- ins and similar disruptions. These systems may experience directed attacks intended to lead to interruptions and delays in our service and operations as well as loss, misuse or theft of data or confidential information. Additionally, outside parties may attempt to fraudulently induce employees or users to disclose sensitive or confidential information in order to gain access to data. Any successful attempt by hackers to obtain our data (including members and corporate information) or intellectual property (including digital content assets), disrupt our service, or otherwise access our systems (or those of third parties we use), could harm our business, be expensive to remedy and damage our reputation. We have implemented certain systems and processes to thwart hackers and protect our data and systems, but techniques used to gain unauthorized access to data and software are constantly evolving, and we may be unable to anticipate or prevent unauthorized access. To date hackers have not had a material impact on our service or systems, although a risk remains that hackers may be successful in the future. Our insurance does not cover expenses related to such disruptions or unauthorized access. Efforts to prevent hackers from disrupting our service or otherwise accessing our systems are expensive to develop, implement and maintain. These efforts require ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated and may limit the functionality of or otherwise negatively impact our service offering and systems. Any significant disruption to our service or access to our systems could result in a loss of members and adversely affect our business and results of operations. Further, a penetration of our systems or a third party’ s systems or other misappropriation or misuse of personal information could subject us to business, regulatory, litigation and reputation risk, which could have a negative effect on our business, financial condition and results of operations. Our reputation and relationships with members would be harmed if our member data, particularly payment data, were to be accessed by unauthorized persons. We maintain personal data regarding our members, including names and payment data. This data is maintained on our own systems as well as that of third parties we use in our operations. With respect to payment data, such as credit and debit card numbers, we rely on licensed encryption and authentication technology to secure such information. We take measures to protect against unauthorized intrusion into our members’ data. Despite these measures, our payment processing services or other third- party services we use, could experience an unauthorized intrusion into our members’ data. In the event of such a breach, current and potential members may become unwilling to provide the information to us necessary for them to remain or become members. We may also be required to notify regulators about any actual or perceived data breach (including the EU Lead Data Protection Authority) as well as the individuals who are affected by the incident within strict time periods. Additionally, we could face legal claims or regulatory fines or penalties for such a breach. The costs relating to any data breach could be material, and we currently do not carry insurance against the risk of a data breach. For these reasons, should an unauthorized intrusion into our members’ data occur, our business could be adversely affected. We rely on proprietary technology to stream content and to manage other aspects of our operations, and the failure of this technology to operate effectively could adversely affect our business. We continually enhance or modify the technology used for our operations. We cannot be sure that any enhancements or other modifications we make to our operations will achieve the intended results or otherwise be of value to our members. Future enhancements and modifications to our technology could consume considerable resources. If we are unable to maintain and enhance our technology to manage the streaming of content to our members in a timely and efficient manner, or if our technology, or that of third parties we utilize in our operations, fails or otherwise operates improperly, our ability to retain existing members and to add new members may be impaired. Also, any harm to our members’ personal computers or other devices caused by software used in our operations could have an adverse effect on our business, results of operations and financial condition. Changes in how network operators handle and charge for access to data that travel across their networks could adversely impact our business. We rely upon the ability of consumers to access our service through the internet. To the extent that network operators implement usage- based pricing, including meaningful bandwidth caps, or otherwise try to monetize access to their networks by data providers, we could incur greater operating expenses and our member acquisition and retention could be negatively impacted. Furthermore, to the extent network operators were to create tiers of internet access service and either charge us for, or prohibit us from, being available through these tiers, our business could be negatively impacted. Our online activities are subject to a variety of laws and regulations relating to privacy which, if violated, could subject us to an increased risk of litigation and regulatory actions. In addition to our websites and applications, we use third- party applications, websites, and social media platforms to promote our service and engage consumers, as well as monitor and collect certain information about users of our service. There are a variety of laws and regulations governing individual privacy and the protection and use of information collected from such individuals, particularly in relation to an individual' s personally identifiable information (e. g., credit card numbers). Many foreign countries have adopted similar laws governing individual privacy, some of which are more restrictive than similar U. S. laws. If our online activities were to violate any applicable current or future laws and regulations, we could be subject to litigation and regulatory actions, including fines and other penalties. Risks Related to Intellectual Property If our trademarks and other proprietary rights are not adequately protected to prevent unauthorized use or appropriation, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected. We rely and expect to continue to rely on a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, copyright and trade secret protection laws, to protect our proprietary rights. We may also seek to enforce our proprietary rights through court proceedings. We may file trademark applications from time to time. These applications may not be approved, third parties may challenge any trademarks issued to or held by us, third parties may knowingly or unknowingly infringe our trademarks and other proprietary rights, and we may not be able to prevent infringement or misappropriation without substantial expense to us. We currently hold various domain names, including www. gaia. com and www. gaiamtv. com. Failure to protect our domain names could adversely affect our reputation and make it more difficult for users to find our website and our service. We may be unable, without significant cost or at all, to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights. Intellectual property claims against us could be costly and result in the loss of significant rights related to, among other things, our website, title selection processes, content and marketing activities. Our intellectual property rights extend to our technology, business processes and the content on our website. We use the intellectual property of third parties in marketing and providing our services through contractual and other rights. From time to time, third parties may allege that we have violated their intellectual property rights. If we are unable to obtain sufficient rights, successfully defend our use, or develop non- infringing technology and content or otherwise alter our business practices on a timely basis in response to claims of infringement, misappropriation, misuse or other violation of third- party intellectual property rights, our business and competitive position may be adversely affected. Many companies devote significant resources to developing patents that could potentially affect many aspects of our business. There are numerous patents that broadly claim means and methods of conducting business on the internet. We have not searched patents relative to our technology. Defending ourselves against intellectual property claims, whether they are with or without merit or are determined in our favor, will result in costly litigation and diversion of technical and management personnel. Infringement claims also may result in our inability to use our current website, streaming technology, our recommendation and personalization technology or inability to market our service. As a result of disputes, we may have to develop non- infringing technology, enter into royalty or licensing agreements, adjust our merchandising or marketing activities or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us. Piracy of video, including digital and internet piracy, could adversely affect our business. Video piracy is extensive in many parts of the world and has been made easier by technological advances and the conversion of video into digital formats. These trends facilitate the creation, transmission and sharing of high- quality unauthorized copies of content on DVDs, Blu- ray discs, and the internet. We may have to implement elaborate and costly security and anti- piracy measures, which could result in significant expenses and losses of revenue. We cannot provide absolute assurance that security and anti- piracy measures will prevent the piracy of our content. The proliferation of unauthorized copies of our content could have an adverse effect on our business, by reducing the revenues we receive from our subscription service. Risks Related to Litigation, Regulatory Proceedings and Government Regulation We may be subject to litigation or regulatory proceedings that could cause us to incur substantial losses. From time to time during the normal course of operating our businesses, we are subject to various litigation claims, regulatory proceedings and legal disputes. Some of these matters may not be covered under our insurance policies, or our insurance carriers may seek to deny coverage. As a result, we might be required to incur significant legal fees, which may have a material adverse effect on our financial position. In addition, because we cannot accurately predict the outcome of any dispute, it is possible that, as a result of current and / or future matters, we will be subject to adverse judgments or settlements that could significantly reduce our earnings or result in losses. If government regulations relating to the internet or other areas of our business change, we may need to alter the manner in which we conduct our business or incur greater operating expenses. The adoption or modification of laws or regulations relating to the internet or other areas of our business could limit or otherwise adversely affect the manner in which we currently conduct our business. In addition, the continued growth and development of the market for online commerce may lead to more stringent consumer protection laws, which may impose additional burdens on us. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, this compliance could cause us to incur additional expenses or alter our business model. The adoption or modification of any laws or regulations that adversely affect the growth, popularity or use of the internet, including laws impacting internet neutrality, could decrease the demand for our service and increase our cost of doing business. For example, as a result of the repeal of internet neutrality regulations in the United States, broadband internet access providers may be able to charge web- based services such as ours for priority access to members, which could result in increased costs and a loss of existing users, impairment of our ability to attract new users, and material adverse effects on our business and opportunities for growth. Additionally, as we expand internationally, government regulation concerning the internet, and in particular, network neutrality, may be nascent or non- existent. Within such a regulatory environment, coupled with potentially significant political and economic power of local network operators, we could experience discriminatory or anticompetitive practices that could impede our growth, cause us to incur additional expense or otherwise negatively affect **our business. Risks Related to our Material Weakness and Restatements We have identified material weaknesses in our internal control over financial reporting and those weaknesses have led to a conclusion that our internal control over financial reporting and disclosure controls and procedures were not effective as of December 31, 2023. Our inability to remediate the material weaknesses, our discovery of additional weaknesses, and our inability to achieve and maintain effective disclosure controls and procedures and internal control over financial reporting, could adversely affect our results of operations, our stock price and investor confidence in our company. Section 404 of the Sarbanes- Oxley Act of 2002 requires that companies evaluate and report on the effectiveness of their internal control over financial reporting. As disclosed in more detail under Item 9A, " Controls and Procedures " below, we have identified material weaknesses as of December 31, 2023 in our internal control over financial reporting. Due to the material weaknesses in our internal control over financial reporting, we have also concluded our disclosure controls and procedures were not effective as of December 31, 2023. Failure to have effective internal control over financial reporting and disclosure controls and procedures can impair our ability to produce accurate financial statements on a timely basis and has led and could again lead to a restatement of our financial statements. For example, the identified material weaknesses resulted in material adjustments to the consolidated financial statements for the year ending December 31, 2022, and each of the interim periods ended March 31, 2022 through September 30, 2023. If, as a result of the ineffectiveness of our internal control over financial reporting and disclosure controls and procedures, we cannot provide reliable financial statements, our business decision processes may be adversely affected, our business and results of operations could be harmed, investors could lose confidence in our reported financial information and our ability to obtain additional financing, or additional financing on favorable terms, could be adversely affected. Our management has taken action to begin remediating the material weaknesses; however, certain remedial actions have not started or have only recently been undertaken, and while we expect to continue to implement our remediation plans throughout the fiscal year ending December 31, 2024, we cannot be certain as to when remediation will be fully completed. Additional details regarding the initial remediation efforts are disclosed in more detail in Part II, Item 9A, " Controls and Procedures " below. In addition, we could in the future identify additional internal control deficiencies that could rise to the level of a material weakness or uncover other errors in financial reporting. During the course of our evaluation, we may identify areas requiring improvement and may be required to design additional enhanced processes and controls to address issues identified through this review. In addition, there can be no assurance that such remediation efforts will be successful, that our internal control over financial reporting will be effective as a result of these efforts or that any such future deficiencies identified may not be material weaknesses that would be required to be reported in future periods. If we fail to remediate these material weaknesses and maintain effective disclosure controls and procedures or internal control over financial reporting, we may not be able to rely on the integrity of our financial results, which could result in inaccurate or additional late reporting of our financial results, as well as delays or the inability to meet our future reporting obligations or to comply with SEC rules and regulations. This could result in claims or proceedings against us, including by shareholders or the SEC. The defense of any such claims could cause the diversion of the Company' s attention and resources and could cause us to incur significant legal and other expenses even if the matters are resolved in our favor. We reached a determination to restate certain of our previously issued consolidated financial statements, which resulted in unanticipated costs and may affect investor confidence and raise reputational issues. As discussed in Part II, Item 8 " Financial Statements and Supplementary Data- " Notes to Consolidated Financial Statements, " we reached a determination to restate our consolidated financial statements and related disclosures for the year ending December 31, 2022, and each of the interim periods ended March 31, 2022 through September 30, 2023. The restatement also included other immaterial adjustments to historical periods. As a result, we have incurred unanticipated costs for accounting and legal fees in connection with or related to the restatement, and have become subject to a number of additional risks and uncertainties, which may affect investor confidence in the accuracy of our financial disclosures and may raise reputational issues for** our business. Risks Related to International Operations We could be subject to economic, political, regulatory and other risks arising from international operations. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks that may be different from and incremental to those in the United States. In addition to the risks that we face in the United States, our international operations may involve risks that could adversely affect our business, including the following: the need to adapt our content and user interfaces for specific cultural and language differences, including licensing a certain portion of our content library before we have developed a full appreciation for its performance within a given territory; difficulties and costs associated with staffing and managing foreign operations; management distraction; **international conflicts, including war, civil disturbances and terrorist attacks;** political or social unrest and economic instability **; public health issues such as pandemics or epidemics** ; compliance with U. S. laws, such as the Foreign Corrupt Practices Act, export controls and economic sanctions, and local laws prohibiting corrupt payments to government officials; unexpected changes in regulatory requirements; less favorable foreign intellectual property laws; adverse tax consequences such as those related to repatriation of cash from foreign jurisdictions into the United States, non- income related taxes ~~such as value- added tax or other indirect taxes~~ , changes in tax laws or their interpretations, or the application of judgment in determining our global provision for income taxes and other tax liabilities given inter- company transactions and calculations where the ultimate tax determination is uncertain; fluctuations in currency exchange rates, which could impact revenues and expenses of our international operations and expose us to foreign currency exchange rate risk; profit repatriation and other restrictions on the transfer of funds; differing payment processing systems as well as consumer use and acceptance of electronic payment methods, such as credit and debit cards; new and different sources of competition; different and more stringent user protection, data protection, privacy and other laws; and availability of reliable broadband connectivity and wide area networks in targeted areas for expansion. Our failure to manage any of these risks successfully could harm our international operations and our overall business, and results of our operations. **We must comply with indirect tax laws in multiple jurisdictions. Taxing authorities have in the past and may successfully in the future assert that we should have collected or in the future should collect non- income related taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our business. Our operations are routinely subject to audit by tax authorities in various countries. Many countries have indirect tax systems where the sale and purchase of goods and services are subject to tax based on the transaction value. Several taxing jurisdictions have presented or threatened us with assessments, alleging that we are required to collect and remit certain taxes there. While we believe we are in compliance with local laws, we cannot assure that tax and customs authorities will agree with our reporting positions and upon audit, such tax and customs authorities may assess additional taxes, duties, interest, and penalties against us. We also expect additional jurisdictions may make similar assessments or pass similar new laws in the future, and any of the jurisdictions where we have sales may apply more rigorous enforcement efforts or take more aggressive positions in the future that could result in greater tax liability allegations. Such tax assessments, penalties and interest or future requirements by any government agencies related to indirect tax laws could harm our international operations and our overall business, and results of our operations.** Risks Related to Liquidity We may seek additional capital that may result in shareholder dilution or that may have rights senior to those of our common shareholders. From time to time, we may seek to obtain additional capital, either through equity, equity- linked or debt securities. Our cash flows provided by our operating activities ~~were negative in 2019, but as planned~~ have been positive since 2020. To the extent we are unable to maintain positive cash flows from operations, we may seek additional capital. The decision to obtain additional capital will depend on, among other things, our business plans, operating performance and condition of the capital markets. If we raise additional funds through the issuance of equity, equity- linked or debt securities, our shareholders may experience dilution, and such securities may have rights, preferences or privileges senior to the rights of our common stock. Any large equity or equity-linked offering could also negatively impact our stock price. Risks Related to Human Resources We may lose key employees or may be unable to hire qualified employees. We rely on the continued service and performance of our senior management ~~, in particular Jirka Rysavy, our Chairman, CEO and founder~~ . In our industry, there is substantial and continuous competition for highly skilled business, product development, technical and other personnel. Hiring qualified management is difficult due to the limited number of qualified professionals in our industry. Failure to recruit, attract and retain personnel, particularly management personnel, could materially harm our business, financial condition, and results of operations. Risks Related to Ownership of Our Class A Common Stock Our founder ~~,~~ **and** chairman ~~and CEO~~ , Jirka Rysavy, has voting control over us. Mr. Rysavy holds 100 % of our 5, 400, 000 outstanding shares of Class B common stock and also owns ~~475~~ **575** , 061 shares of Class A common stock. The shares of Class B common stock are convertible into shares of Class A common stock at any time. Each share of Class B common stock has ten votes per share, and each share of Class A common stock has one vote per share. Consequently, Mr. Rysavy holds approximately ~~78~~ **76** % of our voting stock and is able to exert substantial influence over and control matters requiring approval by shareholders, including the election of directors, increasing our authorized capital stock, or a merger or sale of substantially all of our assets. As a result of Mr. Rysavy' s control of us, no change of control can occur without Mr. Rysavy' s consent. Our business is subject to reporting requirements that continue to evolve and change, which could continue to require significant compliance effort and resources. Because our common stock is publicly traded, we are subject to certain rules and regulations of federal, state and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the ~~SEC~~ **Securities and Exchange Commission** and NASDAQ, periodically issue new requirements and regulations. Legislative bodies also review and revise applicable laws. As interpretation and implementation of these laws and rules and promulgation of new regulations continues, we will continue to be required to commit significant financial and managerial resources and incur additional expenses. Risks Related to our Ownership of Real Property Liability relating to environmental matters may impact the value of our real property. We may be subject to environmental liabilities arising from our ownership of real property. Under various U. S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of hazardous substances on real property owned by us may adversely affect our ability to sell such real property and we may incur substantial remediation costs, thus harming our financial condition. The discovery of material environmental liabilities attached to such real property could adversely affect our results of operations and financial condition. Any of these events, in combination or individually, could disrupt our business and adversely affect our business, financial condition, results of operations and cash flows.