Risk Factors Comparison 2024-03-15 to 2023-03-23 Form: 10-K

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Below is a summary of our risk factors with a more detailed discussion following. The risks below are those that we believe are the material risks that we currently face but are not the only risks facing us and our business. If any of these risks actually occur, our business, financial condition and results of operations could be materially adversely affected. ● The success of our consumer applications is principally dependent on our active users and our engagement with our user base. ● We operate in an intensely competitive industry and any failure to attract new users could diminish or suspend our development and possibly cease our operations. ● The online live video industry is characterized by rapid technological change and the development of enhancements and new applications, and if we fail to keep pace with technological developments or launch new applications, our business may be adversely affected. ● We may make or attempt to make acquisitions in the future, which could require significant management attention, disrupt our business, dilute our stockholders and seriously harm our business. ● ~~The COVID-19 pandemic may adversely affect our revenues, results of operations and financial condition. ●~~ Our business may be significantly affected by a change in the economy, including **inflation and** any resulting effect on consumer or business spending ~~. ● We may be adversely affected by the effects of inflation~~. ● Our mobile applications are substantially dependent on interaction with mobile platforms and operating systems that we do not control. ● Our business depends on developing, establishing and maintaining strong brands. If we are unable to maintain and enhance our brands, we may be unable to expand or retain our active user and paying subscriber bases. ● Our future success is dependent, in part, on the performance and continued service of our executive officers. Without their continued service, we may be forced to interrupt or eventually cease our operations. ● We plan to continue expanding our operations internationally and may be subject to increased business and economic risks that could seriously harm our business. ● Foreign governments restricting access to our applications could materially adversely impact our business. ● If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings, which could seriously harm our operating results. ● Our mobile applications rely on high- bandwidth data capabilities, which are subject to hardware, networks, regulations and standards that we do not control. ● Security breaches, computer viruses and cybersecurity incidents could harm our business, results of operations or financial condition. ● We have faced, and we expect that we will continue to face, chargeback liability when our credit card providers resolve chargebacks in favor of their customers. We cannot accurately anticipate the extent of these liabilities, and if not properly addressed, these liabilities could increase our operating expenses or preclude us from accepting certain credit cards as a method of payment, either of which would materially adversely affect our results of operations and financial condition. ● We face certain risks related to the physical and emotional safety of users and third parties. ● Our subscription metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may seriously harm and negatively affect our reputation and our business. ● Because we recognize revenue from subscriptions over the term of the subscription, the full impact of downturns or upturns in subscription sales may not be immediately reflected in our results of operations or financial condition. ● A portion of our revenue is dependent on third- party resellers, the efforts of which we do not control. ● Our business depends in large part upon the availability of cost- effective advertising space through a variety of media and keeping pace with trends in consumer behavior. ● Interruption, maintenance or failure of our programming code, servers or technological infrastructure could hurt our ability to effectively provide our applications, which could damage our reputation and harm our results of operations. ● We may be liable as a result of information retrieved from or transmitted over the internet. ● Changes in laws or regulations, including laws and regulations that impact the use of the internet, such as internet neutrality laws, or laws that relate to content provided over the internet or monitoring such content, could adversely affect our business, results of operations or financial condition. ● Changes in tax laws could materially affect our financial condition, results of operations and cash flows. ● If we are subject to intellectual property infringement claims, it could cause us to incur significant expenses, pay substantial damages or royalties and prevent us from offering our applications. ● If we are unable to protect our intellectual property rights, we may be unable to compete with competitors developing similar technologies. ● If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud and our business may be harmed and our stock price may be adversely impacted. ● Our common stock is historically thinly traded, stockholders may be unable to sell at or near ask prices or at all and the price of our common stock may be volatile. ● The ownership of our common stock is significantly concentrated in a small number of investors, some of whom are affiliated with our Board of Directors and management, which could prevent stockholders from having input on the course of our operations or otherwise lead to actual or potential conflicts of interest. Risks Related to Our Business The success of our consumer applications is principally dependent on our active users and our engagement with our user base. On an annual basis the Company has millions of users ~~,~~ **;** however, compared to the total number of users in any given period, only a small portion of our users are active users or purchasers of virtual ~~currency~~ **gifts** . We primarily generate revenue through the sale of subscriptions and virtual ~~currency~~ **gifts** to this small portion of users and secondarily generate revenue through paid advertisements. Accordingly, the success of our consumer applications is substantially dependent on our ability to convert our users into active users and to sell our users virtual ~~currency~~ **gifts** . Users discontinue the use of our applications in the ordinary course of business, and to sustain our revenue levels, we must attract, retain and increase the number of users or more effectively monetize our existing users. Falling user retention, growth or engagement could also make our applications less attractive to advertisers, which could harm our business. There are a number of factors that could negatively impact user retention, growth and engagement, including, among other things: ● users may adopt competing products instead of ours; ● we may fail to introduce new products and services or improve upon our existing applications, or those new products and services or improvements we introduce may be poorly received; ● our products may fail to operate effectively on mobile or other platforms; ● we may be unable to combat spam or other hostile or inappropriate usage on our products ~~or free speech~~ ; ● there may be adverse changes in user sentiment about the quality or usefulness of our existing products; ● there may be concerns about the privacy implications, safety or security of our products; ● technical or other problems may frustrate the experience of our users, particularly if those problems prevent us from delivering our products in a fast and reliable manner; ● we may fail to provide adequate service to our users; ● we or other companies in our industry may be the subject of adverse media reports or other negative publicity; ● we may not maintain our brand image or our reputation may be damaged; and ● we may be subject to denial of service or other attacks from hackers that result in service downtime. To retain existing users, and particularly those users who are paying subscribers, we must devote significant resources so that our applications retain their interest. If we fail to grow or sustain the number of our users, or if the rates at which we attract and retain existing users declines or the rate at which users become paying subscribers declines, it could have a material adverse effect on our business, results of operations or financial condition. We operate in an intensely competitive industry and any failure to attract new users could diminish or suspend our development and possibly cease our operations. The industry in which we compete is highly competitive and has few barriers to entry. If we are unable to efficiently and effectively attract new users as a result of intense competition or a saturated market, we may not be able to continue the provision, development and enhancement of our consumer applications or become profitable on a consistent basis in the future. Important factors affecting our ability to successfully compete include: ● the usefulness, novelty, performance, ease of use, and reliability of our consumer applications compared to our competitors; ● the timing and market acceptance of our consumer applications, including developments and enhancements of our competitors' consumer applications; ● our ability to effectively monetize our consumer applications and the availability of free or cheaper alternatives from our competitors; ● our ability to hire and retain talented employees, including technical employees, executives, and marketing experts; ● the success of our customer service and support efforts; ● our reputation and brand strength compared to our competitors; ● competition for acquiring users that could result in increased user acquisition costs; ● reliance upon the platforms through which our consumer applications are accessed and the platform owner' s ability to control our activities on such platforms; ● the effectiveness of the marketing and advertisement of our services and consumer applications; ● our ability to maintain advertisers' interest in advertising through our consumer applications; ● our ability to innovate in the ever- changing consumer applications industry in which we operate; ● changes as a result of new legislation or regulation within the consumer applications industry; and ● acquisitions or consolidations within the consumer applications industry. Many of our current and potential competitors offer similar services ~~,~~ **and** have longer operating histories, significantly greater capital, financial, technical, marketing and other resources and larger user or subscriber bases than we do. These factors may allow our competitors to more quickly respond to new or emerging technologies and changes in client or consumer preferences. These competitors may engage in more extensive research and development efforts, undertake more far- reaching marketing campaigns and adopt more aggressive pricing strategies that may allow them to build larger user bases consisting of greater numbers of ~~clients or~~ paying users. Our competitors may develop applications and software that are equal or superior to our applications and software or that achieve greater market or industry acceptance. It is possible that a new application developed or offered by one of our competitors could gain rapid scale at the expense of existing brands through harnessing a new technology or distribution channel, creating a new approach to ~~servicing clients or~~ connecting people. Certain entities that we do not directly compete with but that have large or dominant positions in one or more markets could use those positions to gain a competitive advantage against us by integrating competing video chat or social media platforms into products they control, such as search engines, web browsers or mobile device operating systems. Costs for consumers to switch between products in the video chat industry are generally low, and consumers have a propensity to try new products to connect with new people. As a result, new entrants and business models are likely to continue to emerge in our industry. These activities could attract users and subscribers away from our applications and reduce our market share. If we are unable to effectively compete, we may fail to obtain new ~~clients~~ **users** for our products or our users may discontinue the use of our products and we may lose active users, either of which would have a material adverse effect on our business, results of operations and financial condition. The online live video industry is characterized by rapid technological change ~~and~~ **, including** the development of enhancements and new applications, and if we fail to keep pace with technological developments or launch new applications, our business may be adversely affected. The online live video industry is characterized by rapid change, and our future success is dependent upon our ability to adopt and innovate. To attract new users and increase revenues from existing users, we need to enhance, add new features to and improve our existing applications ~~and~~ **,** introduce new applications in the future **and where applicable, cross-market such applications** . The success of any enhancements or new features and applications depends on several factors, including timely completion, introduction and market acceptance. Building a new brand or product is generally an iterative process that occurs over a meaningful period of time and involves considerable resources and expenditures, and we may expend significant time and resources developing and launching an application that may not result in revenues in the anticipated timeframe or at all or may not result in revenue growth that is sufficient to offset increased expenses. If we are unable to successfully develop enhancements, new features or new applications to meet user trends and preferences, our business and operating results could be adversely affected. In addition, our applications are designed to operate on a variety of network, hardware and software platforms using internet tools and protocols and we need to continuously modify and enhance our applications to keep pace with technological changes. If we are unable to respond in a timely and cost- effective manner, our current and future applications may become less marketable and less competitive or even obsolete. **Our business** ~~The COVID-19 pandemic~~ may ~~adversely~~ **be significantly** ~~affect~~ **affected by** ~~our revenues, results of operations and financial condition. The World Health Organization declared COVID- 19~~ a **change in** ~~pandemic on March 11, 2020. The global spread of~~ the ~~COVID-19 pandemic and the various attempts to contain it have created significant volatility, uncertainty and economic~~ **economy ,**

including inflation and ~~disruption. The various precautionary measures taken by many~~ - **any resulting** ~~governmental authorities around the world in order to limit the spread of COVID- 19 have had, and could continue to have, an adverse~~ effect on **consumer or business spending. Our business may be affected by changes in the economy generally, including as a result of pandemics, terrorist attacks, natural disasters or** ~~the~~ **other** ~~global~~ **events outside our control, and any resulting effect on spending by our customers. Furthermore, prolonged periods of inflation have affected, and may continue to affect, our ability to target new customers as well as keep existing customers engaged and may ultimately have a correlating effect on our users' discretionary spending. While some of our customers may consider our applications to be a cost- saving purchase, others may view a subscription to our applications as a discretionary purchase, and our customers may reduce their discretionary spending on our platform during an economic downturn. Moreover, while we continue to add paid users to our customer base, our user growth may continue to slow or decline as the impact of the highly inflationary environment, which makes products like ours more discretionary in nature. In addition, increased inflation may result in increased operating costs (including labor and consulting costs), reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In addition, the United States Federal Reserve has raised, and may continue to raise, interest rates in response to concerns about inflation. Increases in interest rates, especially if coupled with reduced government spending and volatility in financial** markets ~~and its~~ **, may have the effect of further increasing** ~~economy~~ **economic** ~~, including on~~ **uncertainty and heightening** ~~the~~ **these** ~~availability~~ **risks. In** ~~and~~ - **an inflationary environment** ~~pricing of employees and resources~~ , ~~and~~ **we may be unable to raise** ~~other~~ -- **the** ~~aspects~~ **prices** of **our subscriptions at or above** the ~~global economy. Therefore~~ **rate at which our costs increase** , **which** ~~the impact of the COVID- 19 pandemic~~ could **/ would reduce** ~~disrupt and cause delays in our software, disrupt the marketplace in which we operate, slow down the overall economy, curtail consumer spending, make it hard to adequately staff our operations or~~ **our profit margins** ~~enter into agreements with independent contractors~~ and have a material adverse effect on our ~~operations~~ **financial results and liquidity** . **A reduction** ~~In addition, disruptions~~ in ~~the operations of the third parties with whom we do business~~ **our revenue would be detrimental to our profitability and financial condition and could also** have ~~caused and~~ - **an** ~~could in the~~ **adverse impact on our** future ~~cause such third parties to fail to perform under their respective contracts or commitments with us. Despite recent progress in the administration of COVID- 19 vaccines and the relaxation of governmental response measures, the extent to which the COVID- 19 pandemic and any subsequent outbreaks continue to impact our results will depend on future developments, which are highly uncertain and cannot be predicted. Our business may be significantly affected by a change in the economy, including any resulting effect on consumer or business spending. Our business may be affected by changes in the economy generally, including as a result of the COVID- 19 pandemic, any resulting effect on spending by our customers, and inflation. While some of our customers may consider our applications to be a cost- saving purchase, others may view a subscription to our applications as a discretionary purchase, and our customers may reduce their discretionary spending on our platform during an economic downturn. Given current economic conditions, including inflation, we could experience a reduction in demand and loss of customers. Moreover, while we continue to add paid users to our customer base, our user~~ growth ~~may continue to slow or decline as the impact of the COVID- 19 pandemic continues to taper, particularly in light of a potential economic downturn~~ . Our mobile applications are substantially dependent on interaction with mobile platforms and operating systems that we do not control. A portion of our revenue, primarily our revenue from mobile platforms, is derived from the Apple iOS platform and the Google Android platform. Although we believe that we have a good relationship with Apple and Google, any deterioration in our relationship with either could materially harm our business, results of operations or financial condition. We are subject to each of Apple' s and Google' s standard terms and conditions for application developers, which govern the promotion, distribution and operation of our applications on their respective storefronts. Each of Apple and Google has broad discretion to change its standard terms and conditions. In addition, these standard terms and conditions can be vague and subject to changing interpretations by Apple or Google. In addition, each of Apple and Google has the right to prohibit a developer from distributing applications on the storefront if the developer violates the standard terms and conditions. In the event that either Apple or Google ever determines that we are in violation of its standard terms and conditions and prohibits us from distributing our applications on its storefront, it could materially harm our business, results of operations or financial condition. The number of people who access the internet through devices other than personal computers, including smart phones, cell phones and handheld tablets, has increased dramatically in the past several years and is projected to continue to increase. Accordingly, we are substantially dependent on interoperability with popular mobile platforms that we do not control, including the Apple App Store and the Google Play Store, and a portion of our revenue is derived from these two digital storefronts. There have been occasions in the past when these digital storefronts were unavailable for short periods of time or where there have been issues with the in- App purchasing functionality from the storefront. In the event that either the Apple App Store or the Google Play Store is unavailable or if in- App purchasing functionality from the storefront is non- operational for a prolonged period of time, it could have a material adverse effect on our business, results of operations or financial condition. In addition, each of the Apple App Store and Google Play Store provides consumers with products that compete with ours. If either of these platforms give preferential treatment to competitive products, it could seriously harm the usage of our products on mobile devices. Our business depends on developing, establishing and maintaining strong brands. If we are unable to maintain and enhance our brands, we may be unable to expand or retain our user and paying subscriber bases. We believe that developing, establishing and maintaining awareness of our application brands is critical to our efforts to achieve widespread acceptance of our applications and is an important element to expanding our ~~client and~~ subscriber ~~bases~~ - **base** . Successful promotion of our application brands will depend largely on the effectiveness of our advertising and marketing efforts and on our ability to provide reliable and useful applications at competitive prices. If ~~clients and~~ users do not perceive our products to be of high quality, or if our products are not favorably received by ~~clients and~~ users, the value of our brands could diminish, thereby decreasing the attractiveness of our software, services and applications to ~~clients~~

~~and~~ users. In addition, advertising and marketing activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brands. If we fail to successfully promote and maintain our application brands ~~,~~ or incur substantial expenses in unsuccessfully attempting to promote and maintain our brands, we may fail to attract enough new ~~clients or~~ subscribers or retain our existing ~~clients and~~ subscribers to the extent necessary to realize a sufficient return on our advertising and marketing activities, and it could have a material adverse effect on our business, results of operations or financial condition. If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings, which could seriously harm our operating results. We are required to test goodwill for impairment at least annually or more frequently if there are indicators that the carrying amount of the goodwill exceeds its carried value. As of December 31, ~~2022~~ **2023** , we had recorded a total of $ 6. 3 million of goodwill and $ ~~3~~ **2** . ~~6~~ **7** million of other intangible assets. An adverse change in domestic or global market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates made in connection with the impairment testing of goodwill or intangible assets, could result in a change to the estimation of fair value that could, in turn, result in an impairment charge to our goodwill or other intangible assets. If we divest or discontinue product categories or products that we previously acquired, or if the value of those parts of our business become impaired, we also may need to evaluate the carrying value of our goodwill. Any such material charges may have a negative impact on our operating results. Our future success is dependent, in part, on the performance and continued service of our executive officers. Without their continued service, we may be forced to interrupt or eventually cease our operations. We are dependent to a great extent upon the experience, abilities and continued service of Jason Katz, our Chief Executive Officer and Chairman of the Board of Directors, and Kara B. Jenny, our Chief Financial Officer and director. The loss of the services of these individuals would substantially affect our business or operations and could have a material adverse effect on our business, results of operations or financial condition. Our subscription metrics and other estimates are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may seriously harm and negatively affect our reputation and our business. We regularly review metrics to evaluate growth trends, measure our performance, and make strategic decisions. These metrics are calculated using internal Company data and have not been validated by an independent third party. While these numbers are based on what we believe to be reasonable estimates of our user base for the applicable period of measurement, there are inherent challenges in measuring how our products are used across large populations globally. Some of our demographic data may be incomplete or inaccurate. For example, because users self- report their dates of birth, our age- demographic data may differ from our users' actual ages. If our users provide us with incorrect or incomplete information regarding their age or other attributes, our estimates may prove inaccurate. In addition, our business strategy is guided by data analytics that we compute internally based on data collection, data processing, cloud- based platforms, statistical projections and forecasting, mobile computing, social media analytics and other applications and technologies. We use these internally derived data analytics to guide decisions concerning the development and modification of features on our applications, monetization strategies for our applications and the development of new applications, among other things. The inability to accurately derive our metrics or data analytics could result in incorrect business decisions and inefficiencies. For instance, if a significant understatement or overstatement of our active users were to occur, we may expend resources to implement unnecessary business measures or fail to take required actions to attract a sufficient number of subscribers to satisfy our growth strategies. If advertisers or investors do not perceive our subscription, geographic or other demographic metrics to be accurate representations of our user base, or if we discover material inaccuracies in our subscription, geographic or other demographic metrics, our reputation may be seriously harmed. At the same time, advertisers may be less willing to allocate their budgets or resources to our products, which could seriously harm our business, results of operation or financial condition. Because we recognize revenue from subscriptions over the term of the subscription, the full impact of downturns or upturns in subscription sales may not be immediately reflected in our results of operations or financial condition. We recognize subscription revenue from customers monthly over the term of the subscription, and subscriptions are generally offered in one-, **three-,** six- ~~and~~ **,** twelve **- and twenty- four** - month terms, depending on the particular product. As a result, much of the subscription revenue we report in each period is deferred revenue from subscription agreements entered into during previous periods. Consequently, a decline in new or renewed subscriptions in any one quarter will negatively affect our revenue in future quarters. In addition, we might not be able to immediately adjust our costs and expenses to reflect these reduced revenues. Accordingly, the effect of significant downturns in user acceptance of our applications may not be fully reflected in our results of operations until future periods. Our subscription model also makes it difficult for us to quickly increase our revenue through additional sales in any period, as revenue from new subscribers must be recognized over the term of the subscription. As a result, you should not rely on the amount of subscription revenue generated in prior quarters as an indication of future results. We plan to continue expanding our operations internationally and may be subject to increased business and economic risks that could seriously harm our business. Presently, we derive a significant portion of revenue from **users located outside of the United States** ~~international territories, and we plan to continue expanding our business operations abroad~~ . In addition, we rely on outsourced development services from companies with ~~employees and~~ consultants based in Russia, India and elsewhere. The invasion of Ukraine by Russia has escalated tensions among the United States, the North Atlantic Treaty Organization **(" NATO ")** member states, and Russia. The United States, other **NATO** ~~North Atlantic Treaty Organization~~ member states, as well as non- member states, have imposed sanctions against Russia and certain Russian banks, enterprises and individuals. These and any future additional sanctions and any resulting conflict between Russia, the United States and other countries may, on a short term, disrupt, or in the future could disrupt, the consulting services provided by our third- party developers residing in Russia. This conflict may increase our costs with respect to any current or future planned development services in Russia or could result in negative publicity. We may enter new international markets where we have limited or no experience in marketing, selling and deploying our products. If we fail to deploy or manage our operations in international markets successfully, our business may suffer. As our international operations increase our operating results may become more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. In addition, we are subject to a variety of risks inherent in doing business internationally, including: ● political, social, and economic instability; ● risks related to the legal and regulatory environment in foreign jurisdictions, including with respect to privacy, free speech and unexpected changes in laws, regulatory requirements, and enforcement; ● potential damage to our brand and reputation due to compliance with local laws, including potential censorship and requirements to provide user information to local authorities; ● fluctuations in currency exchange rates; ● higher levels of credit risk and payment fraud; ● complying with multiple tax jurisdictions; ● reduced protection for intellectual-property rights in some countries; ● difficulties in staffing and managing global operations and the increased travel, infrastructure and compliance costs associated with multiple international locations; ● regulations that might add difficulties in repatriating cash earned outside the United States and otherwise preventing us from freely moving cash; ● import and export restrictions and changes in trade regulation; ● complying with statutory equity requirements; ● complying with the U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act and similar laws in other jurisdictions; ● the impact of the United Kingdom' s exit from the European Union; and ● export controls and economic sanctions administered by the Department of Commerce Bureau of Industry and Security and the Treasury Department' s Office of Foreign Assets Control. If we are unable to expand internationally and manage the complexity of our global operations successfully, our business could be seriously harmed. A portion of our revenue is dependent on third- party resellers, the efforts of which we do not control. We are dependent on the efforts of third parties who resell our subscriptions for a portion of our revenue. In particular, video chat users in certain international territories have an option to purchase subscriptions through local resellers. These local resellers prepay in bulk for services and debit the prepaid balance as one- time subscriptions and virtual ~~currency~~ **gifts** are sold to end users. We do not control the efforts of these resellers. If they fail to market or sell our subscriptions successfully, merge or consolidate with other businesses, declare bankruptcy or depart from their respective industries, our business could be harmed. If we are unable to maintain or replace our contractual relationships with resellers, efficiently manage our relationships with them or establish new contractual relationships with other third parties, we may fail to retain subscribers or acquire potential new subscribers and may experience delays and increased costs in adding or replacing subscribers that were lost, any of which could materially affect our business, operating results and financial condition. Foreign governments restricting access to our applications could materially adversely impact our business. We have continued to focus on increasing the international presence of our applications by expanding the localized and translated versions for additional international countries that are culturally aligned with our products. Foreign data protection, privacy, consumer protection, content regulation, and other laws and regulations are often more restrictive than those in the United States. Foreign governments may censor our products in their countries, restrict access to our products from their countries entirely, or impose other restrictions that may affect their citizens' ability to access our products for an extended period of time or even indefinitely. ~~If foreign~~ **Foreign** governments **may seek to restrict access to our products if they** think we are violating their laws ~~,~~ or for other reasons ~~, they may seek to restrict access to our products~~ , which would give our competitors an opportunity to penetrate geographic markets that we cannot access. As a result, our ability to grow our international user base would be impaired, ~~and~~ we may not be able to maintain or grow our revenue as anticipated and our business could be seriously harmed. Our mobile applications rely on high- bandwidth data capabilities, which are subject to hardware, networks, regulations and standards that we do not control. Our mobile applications require high-bandwidth data capabilities. If the costs of data usage increase or access to cellular networks is limited, our user growth and retention on mobile platforms may be seriously harmed. Additionally, to deliver high- quality video and other content over mobile cellular networks, our products must work well with a range of mobile technologies, systems, networks, regulations and standards that we do not control, and any changes to those mobile technologies, systems, networks, regulations or standards could impact the usability of our mobile applications, which would materially adversely affect our business, results of operations or financial condition. Our business depends, in large part, upon the availability of cost- effective advertising space through a variety of media and keeping pace with trends in consumer behavior. We depend upon the availability of advertising space through a variety of media, including third- party applications on platforms such as Facebook, to recruit new users and subscribers, generate activity from existing users and subscribers and direct traffic to our applications. Historically, we have had to increase our marketing expenditures in order to attract and retain users and sustain our growth. ~~For example, during 2022, we engaged two marketing agencies to help us drive consumer engagement through the Paltalk and Camfrog applications.~~ The availability of advertising space varies, and a shortage of advertising space in any particular media or on any particular platform, or the elimination of a particular medium on which we advertise, could limit our ability to generate new subscribers, generate activity from existing subscribers or direct traffic to our applications, any of which could have a material adverse effect on our business, results of operations and financial condition. In addition, evolving consumer behavior can affect the availability of profitable marketing opportunities. For example, as consumers communicate less via email and more via text messaging and other virtual means, the reach of email campaigns designed to attract new and repeat users (and retain current users) for our applications is adversely impacted. To continue to reach potential users and grow our business, we must devote more of our overall marketing expenditures to newer advertising channels, which may be unproven and undeveloped, and we may not be able to continue to manage and fine- tune our marketing efforts in response to these trends. Any future marketing efforts may be ineffective or inadequate to attract potential users or retain existing users. Interruption, maintenance or failure of our programming code, servers or technological infrastructure could hurt our ability to effectively provide our applications, which could damage our reputation and harm our results of operations. The availability of our applications depends on the continued operation of our programming code, databases, servers and technological infrastructure. Any damage to, or failure of, our systems could result in interruptions in service for our applications, which could damage our brands and have a material adverse effect on our business, results of operations or financial condition. Our systems are vulnerable to damage or interruption from terrorist attacks, floods, fires, power loss, telecommunications failures, computer viruses, computer denial of service attacks or other attempts to harm our systems. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. In addition, from time to time we experience limited periods of server downtime due to maintenance or enhancements. If our applications are unavailable during these periods of downtime or if our users are unable to access our applications within a reasonable amount of time, users may not return to our applications in the future, or at all. As our user base and the volume and types of information shared on our applications continues to grow, we will need an increasing amount of technology infrastructure, including network capacity and computing power, to continue to satisfy our users' needs. It is possible that we may fail to effectively scale and grow our technology infrastructure to accommodate these increased demands. Any failure to support and scale our technology infrastructure could adversely impact the reputation of our brands and harm our results of operations. Security breaches, computer viruses and cybersecurity incidents could harm our business, results of operations or financial condition. We receive, process, store and transmit a significant amount of personal user and other confidential information, including credit card information, and enable our users to share their personal information with each other. In some cases, we retain third party vendors to store this information. We continuously develop and maintain systems to protect the security, integrity and confidentiality of this information, but cannot guarantee that inadvertent or unauthorized use or disclosure will not occur or that third parties will not gain unauthorized access to this information despite our efforts. If any such event were to occur, we may not be able to remedy the event, and we may have to expend significant capital and resources to mitigate the impact of such an event, and to develop and implement protections to prevent future events of this nature from occurring. Security breaches, computer malware and cybersecurity incidents have become more prevalent in our industry and may occur on our systems in the future. Although it is difficult to determine what, if any, harm may directly result from an interruption or attack, any security breach caused by hacking, including efforts to gain unauthorized access to our applications, servers or websites, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses could harm our business, financial condition and results of operations. If a breach of our security (or the security of our vendors and partners) occurs, the perception of the effectiveness of our security measures and our reputation may be harmed, we could lose current and potential users and the recognition of our various brands and their competitive positions could be diminished, any or all of which could adversely affect our business, financial condition and results of operations. Spammers may attempt to use our products to send targeted and untargeted spam messages to users, which may embarrass or annoy users and make our products less user friendly. We cannot be certain that the technologies that we have developed to repel spamming attacks will be able to eliminate all spam messages from our products. Our actions to combat spam may also require diversion of significant time and focus of our engineering team from improving our products. As a result of spamming activities, our users may use our products less or stop using them altogether, and result in continuing operational cost to us. **Furthermore, the adoption of certain technologies, such as cloud computing, artificial intelligence and machine learning may increase the risks associated with cyber attacks.** Similarly, terror and other criminal groups may use our products to promote their goals and encourage users to engage in terror and other illegal activities. We expect that as more people use our products, these groups will increasingly seek to misuse our products. Although we invest resources to combat these activities, including by suspending or terminating accounts we believe are violating our Terms of Service, we expect these groups will continue to seek ways to act inappropriately and illegally on our products. Combating these groups requires our engineering team to divert significant time and focus from improving our products. In addition, we may not be able to control or stop our products from becoming the preferred application of use by these groups, which may become public knowledge and seriously harm our reputation or lead to lawsuits or attention from regulators. If these activities increase, our reputation, user growth and user engagement, and operational cost structure could be seriously harmed. Furthermore, many governments have enacted laws requiring companies to provide notice of data security incidents involving certain types of personal data. Such laws are inconsistent, and compliance in the event of a widespread data breach is costly. **We maintain** ~~As a result of the COVID- 19 pandemic, we adopted~~ a work- from- home policy ~~in March 2020, and we expect this practice to continue~~ for **our employees** ~~the foreseeable future~~ . Remote work and remote access increase our vulnerability to cybersecurity attacks. We may see an increase in cyberattack volume, frequency and sophistication driven by the global enablement of remote workforces. We seek to detect and investigate unauthorized attempts and attacks against our network, products and services and to prevent their recurrence where practicable through changes to our internal processes and tools and changes or updates to our products and services; however, we remain potentially vulnerable to additional known or unknown threats. In some instances, we and the users of our applications can be unaware of an incident or its magnitude and effects. Moreover, globally there has been an increase in cybersecurity attacks since Russia invaded Ukraine. The risk of state- supported and geopolitical- related cyber- attacks may increase in connection with the war in Ukraine and any related political or economic responses and counter- responses. We may not discover all such incidents or activity or be able to respond or otherwise address them promptly, in sufficient respects or at all. Our existing general liability insurance coverage and the coverage we carry for cyber- related liabilities may not continue to be available on acceptable terms or be available in sufficient amounts to cover one or more large claims or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that are not covered or exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co- insurance requirements, could harm our business. We have faced, and we expect that we will continue to face, chargeback liability when our credit card providers resolve chargebacks in favor of their customers. We cannot accurately anticipate the extent of these liabilities, and if not properly addressed, these liabilities could increase our operating expenses or preclude us from accepting certain credit cards as a method of payment, either of which would materially adversely affect our results of operations and financial condition. We depend on the ability to accept credit and debit card payments from our subscribers and our ability to maintain the good standing of our merchant account with our credit card providers to process subscription payments. In the event that one of our customers initiates a billing dispute and one of our credit card providers resolves the dispute in the customer' s favor, the transaction is normally charged back to us and the purchase price is credited or otherwise refunded to the customer. In addition, under current credit card practices, a merchant is liable for fraudulent credit card transactions when, as is the case with the transactions we process, that merchant does not obtain a cardholder' s signature. We have suffered losses and we expect that we will continue to suffer losses as a result of subscriptions placed with fraudulent credit card data, as well as users who chargeback their purchases. Any failure to adequately control fraudulent credit card transactions or keep our chargebacks under an acceptable threshold would result in significantly higher credit card- related costs and, therefore, materially increase our operating expenses. We face certain risks related to the physical and emotional safety of users and third parties. We cannot control ~~the actions of~~ our users **'** ~~in their~~ communications **with each other** or physical actions **towards one another** . There is a possibility that users or third parties could be physically or emotionally harmed following interaction with another user. We warn our users that we do not screen other users and, given our lack of physical presence, we do not take any action to ensure personal safety on a meeting between users or subscribers arranged following contact initiated via our applications or ensure personal safety of our users against self-harming following contact with other users initiated via our applications. If an unfortunate incident of this nature occurred in a meeting of two people following contact initiated on our applications or that of one of our competitors, any resulting negative publicity could materially and adversely affect us or the online video chat industry in general. Any such incident involving our applications could damage our reputation and our brand, which could have a material adverse effect on our business, results of operations or financial condition. In addition, the affected users or third parties could initiate legal action against us, which could divert management attention from operations, cause us to incur significant expenses, whether we are successful or not, and damage our reputation. We may need additional capital to execute our business plan. If we do not obtain additional financing, it could have a material adverse effect on our business, results of operations or financial condition. We might need to raise additional capital or financing through debt or equity offerings to support our expansion, marketing efforts and application development programs in the future. For instance, we might require additional capital or financing to: ● hire and retain talented employees, including technical employees, executives, and marketing experts; ● effectuate our long- term growth strategy and expand our application development programs; and ● market and advertise our applications to attract more paying subscribers. We may be unable to obtain future capital or financing on favorable terms or at all. If we cannot obtain additional capital or financing, we may need to reduce, defer or cancel application development programs, planned initiatives, marketing or advertising expenses or costs and expenses. The failure to obtain necessary additional capital or financing on favorable terms, if at all, could have a material adverse effect on our business, results of operations or financial condition. If the distribution of our products through application stores increases, we may incur additional fees from the developers of application stores. As the user base of our consumer applications continues to shift to mobile solutions, we increasingly rely on the Apple iOS and Google Android platforms to distribute our products. While our products are free to download from these stores, we offer our users the opportunity to purchase paid memberships and certain premium features through our products. We determine the prices at which these memberships and features are sold and, in exchange for facilitating the purchase of these memberships and features through our products to users who download our products from these stores, we pay Apple or Google, as applicable, a share, which is currently up to ~~30~~ **15** % of the revenue we receive from these transactions. In the future, other distribution platforms that we utilize may charge us fees for the distribution of our applications. If the distribution of our products through application stores increases, the amount of fees that we must pay to the developers of these application stores will also increase. Unless we find a way to offset these fees, our business, financial condition and results of operations could be adversely affected. We may make or attempt to make acquisitions in the future, which could require significant management attention, disrupt our business, dilute our stockholders and seriously harm our business. As part of our business strategy, we have made and intend to make acquisitions to add specialized employees and complementary companies, products and technologies. In the future, we may not be able to find other suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. Our previous and future acquisitions may not achieve our goals, and any future acquisitions we complete could be viewed negatively by users, advertisers or investors. In addition, if we fail to successfully close transactions or integrate new teams, or integrate the products and technologies associated with these acquisitions into our company, our business could be seriously harmed. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. We may not successfully evaluate or use the acquired products, technology and personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may also incur unanticipated liabilities that we assume as a result of acquiring companies. We may have to pay cash, incur debt or issue equity securities to pay for any acquisition, any of which could negatively impact our business and financial condition. Issuing equity to finance any such acquisitions would also dilute our existing stockholders. Incurring debt would increase our fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. We may conduct a portion of our operations through informal relationships, partnerships, strategic alliances or joint ventures, and our failure to continue such relationships or resolve any material disagreements with these third parties could have a material adverse effect on the success of these operations, our financial condition and our results of operations. We may conduct a portion of our operations through partnerships, strategic alliances or joint ventures and therefore we may depend on third parties for elements of these arrangements that are important to the success of the relationship, such as the development of features or technologies to be incorporated into our applications. The performance of these third- party obligations or the ability of third parties to meet their obligations under these arrangements would be outside of our control. If these third parties do not meet or satisfy their obligations under these arrangements, the performance and success of these arrangements, and their value to us, would be adversely affected. If our current or future partners are unable to meet their obligations, we may be forced to undertake the obligations ourselves and / or incur additional expenses in order to have some other party perform such obligations. In such cases we may also be required to seek legal enforcement of our rights, the outcome of which would be uncertain. If any of these events occur, they may adversely impact us, our financial performance and results of operations, and / or adversely impact our ability to enter into similar relationships in the future. Strategic arrangements with third parties could involve risks not otherwise present when we directly manage our operations, including, for example: ● third parties may share certain approval rights over major decisions within the scope of the relationship; ● the possibility that these third parties might become insolvent or bankrupt; ● the possibility that we may incur liabilities as a result of an action taken by one of these third parties; ● these third parties may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives; and ● disputes between us and these third parties may result in litigation or arbitration that would increase our expenses, delay or terminate projects and prevent our officers and directors from focusing their time and effort on our business. Legal and Regulatory Risks We may be liable as a result of information retrieved from or transmitted over the internet. We may be sued for defamation, civil rights infringement, negligence, copyright or trademark infringement, invasion of privacy, personal injury, product liability or under other legal theories relating to information that is published or made available on our websites or applications. These types of claims have been brought, sometimes successfully, against online services in the past. We also offer messaging services on our applications and we send emails directly and through third parties to our users, which may subject us to potential risks, such as liabilities or claims resulting from unsolicited email or spamming, lost or misdirected messages, security breaches, illegal or fraudulent use of email or personal information or interruptions or delays in email service. Our insurance does not specifically provide for coverage of these types of claims and, therefore, may be inadequate to protect us against them. In addition, we could incur significant costs in investigating and defending such claims, even if we ultimately are not held liable. If any of these events occur, our revenue could be materially adversely affected or we could incur significant additional expense, and the market price of our securities may decline. Changes in laws or regulations, including laws and regulations that impact the use of the internet, such as internet neutrality laws, or laws that relate to content provided over the internet or monitoring such content, could adversely affect our business, results of operations or financial condition. The adoption of any laws or regulations that adversely affect the growth or use of the internet, including laws governing internet neutrality, could decrease the demand for our products and increase our cost of doing business. In January 2018, the Federal Communications Commission (the " FCC ") released an order that repealed the " open internet rules, " often known as " net neutrality, " which ~~prohibit~~ **prohibited** internet providers in the United States from impeding access to most content, or otherwise unfairly discriminating against content providers like us. These rules also prohibited mobile providers from entering into arrangements with specific content providers for faster or better access over their data networks. The FCC order repealing the open internet rules went into effect in June 2018. In response to this decision, California and a number of states implemented their own net neutrality rules which largely mirrored the repealed federal regulations. The U. S. Department of Justice (" DOJ ") has filed suit to bar implementation of these state laws and their application remains uncertain. ~~For instance~~ **On October 19** , ~~on February 8, 2021~~ **2023** , the ~~DOJ voluntarily dismissed its suit against California' s~~ **FCC adopted a new proposal to reclassify broadband internet access service as common carrier services and reinstate** net neutrality ~~bill~~ **rules** . We cannot predict the outcome of similar litigation or whether the **latest** FCC ~~order~~ **proposal** or state initiatives regulating providers will be **adopted,** modified, overturned, or vacated by other legal action, federal legislation, or the FCC, or the degree to which this repeal would adversely affect our business, if at all. The European Union similarly requires equal access to internet content. If the FCC, Congress, the European Union or courts modify these open internet rules, mobile providers may be able to limit our users' ability to access our applications or make our applications a less attractive alternative to our competitors' applications, which could materially adversely affect our business, results of operations and financial condition. In addition, it is possible that a number of additional laws and regulations may be adopted or construed to apply to us, including gambling laws. Some of the video card games that we offer on our Paltalk application are based upon traditional casino games, such as poker and blackjack. We have structured and operate these games and features with gambling laws in mind and believe that these games and features do not constitute gambling. Our games are offered for entertainment purposes only and do not offer an opportunity to win real money. However, our video card games could in the future become subject to gambling- related laws and regulations and expose us to civil and criminal penalties. If were to become subject to such laws and regulations, we might be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on us meeting certain capital and other requirements, and we may be subject to additional regulation and oversight, such as reporting to regulators, all of which could significantly increase our operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in the United States, Europe or elsewhere regarding these activities may lessen the growth of video card game services and impair our business. Changes in tax laws could materially affect our financial condition, results of operations and cash flows. The tax regimes we are subject to or operate under, including income and non- income taxes, are unsettled and may be subject to significant change. For example, the Inflation Reduction Act (the " IRA ") was signed into law on August 16, 2022 and ~~will become~~ **became** effective ~~beginning in fiscal~~ **on January 1,** 2023 ~~. The IRA imposes a 1 % excise tax on certain share repurchases occurring after December 31, 2022 (including, potentially pursuant to our Stock Repurchase Program (as defined herein))~~ . We do not currently expect that the IRA will have a material impact on our income tax liability. We are unable to predict what changes to the tax laws of the U. S. and other jurisdictions may be proposed or enacted in the future or what effect such changes would have on our business. Any significant increase in our future effective tax rate could have a material adverse impact on our business, financial condition, results of operations, or cash flows. If there are changes in laws or regulations regarding privacy and the protection of user data, or if we fail to comply with such laws or regulations, we may face claims brought against us by regulators or users that could adversely affect our business, results of operations or financial condition. State, federal and international laws and regulations govern the collection, use, retention, sharing and security of data that we receive from and about our users. These laws can be particularly restrictive in certain states and in countries outside of the United States. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industries in which we operate. The European Union has implemented a privacy regulation called the GDPR that imposes a high level of regulatory scrutiny on our business' processing of personal data from the European Economic Area, with possible financial consequences for noncompliance of up to 4 % of our worldwide revenues. The FTC regularly investigates and brings enforcement actions against companies that have used personally identifiable information in a deceptive or unfair manner or in violation of a posted privacy policy. If we are accused of violating the terms of our privacy policy, implementing unfair privacy practices or otherwise breaching data privacy laws, we may be forced to expend significant financial and managerial resources to defend against an action by the FTC, European Data Protection Authorities, or other state or federal enforcement agencies. Our user database holds the personal information of our users and subscribers residing in the United States and other countries, and we could be sued by those users if any of the information is misused or misappropriated. Growing public concern about privacy and the use of personal information may subject us to increased regulatory scrutiny. Regulations related to treatment of user data by online services are evolving as several U. S. state governments have recently adopted new, or modified existing, laws and regulations addressing data privacy and the collection, processing, storage, transfer and use of data. These state laws include, for example: CCPA, the CPRA, which became effective on January 1, 2023, and expands upon the CCPA, the Virginia Consumer Data Protection Act, the Colorado Privacy Act, the Connecticut Act Concerning Personal Data Privacy and Online Monitoring, the Utah Consumer Privacy Act, **the Delaware Personal Data Privacy Act, the Indiana Consumer Data Protection Act, the Iowa Consumer Data Protection Act, the Montana Consumer Data Privacy Act, the Oregon Consumer Privacy Act, the Tennessee Information Protection Act, the Texas Data Privacy and Security Act** and the New York SHIELD Act. In addition, every U. S. state has passed laws requiring notification to users when there is a security breach resulting in unauthorized disclosure of certain types of personal information, many of which are modeled on California' s Information Practices Act. There are a number of legislative proposals pending before the U. S. Congress and various state legislative bodies concerning data protection that could, if adopted, have an adverse effect on our business. We are unable to determine if and when such legislation may be adopted. Many other jurisdictions, including the European Union, have adopted breach notification and other data protection notification laws designed to inform users of unauthorized disclosure of personally identifiable information. The introduction of new privacy and data breach laws and the interpretation of existing privacy and data breach laws in the United States, Europe and other foreign jurisdictions is constantly evolving. There is a risk that new laws may be introduced or that existing laws may be applied in a way that would conflict our current data protection practices or prevent the transfer of data between countries in which we operate. Future laws and regulations with respect to the collection, compilation, use and publication of information and consumer privacy could result in limitations on our operations, increased compliance or litigation expense, adverse publicity or loss of revenue, any of which could have a material adverse effect on our business, financial condition and results of operations. Any failure, or perceived failure, by us to comply with such laws and regulations, including FTC requirements or industry self- regulatory principles, could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business. As a result of such a failure, or perceived failure, we may be subject to a claim or class- action lawsuit regarding our online services. The successful assertion of a claim against us, or a regulatory action against us, could result in significant monetary damages, diversion of management resources and require us to make significant payments and incur substantial legal expenses. Any claims with respect to violation of privacy or misappropriation of user data brought against us may have a material adverse effect on our business, results of operations and financial condition. It is also possible that we could be prohibited from collecting or disseminating certain types of data, which could affect our ability to meet our users' needs. Risks Related to Our Intellectual Property If we are unable to protect our intellectual property rights, we may be unable to compete with competitors developing similar technologies. Historically, our defense of our intellectual property rights has been a significant aspect of our business and has meaningfully contributed to our results of operations. Accordingly, our success and ability to compete are often dependent upon the development of intellectual property for our applications. We aim to protect our confidential proprietary information, in part, by entering into confidentiality agreements and invention assignment agreements with all our employees, consultants, advisors and any third parties who access or contribute to our proprietary know- how, information, or technology. We also rely on trademark, copyright, patent, trade secret, and domain- name- protection laws to protect our proprietary rights. We have filed various applications to protect aspects of our intellectual property, and we currently hold a number of issued patents. In the future we may acquire additional patents or patent portfolios, which could require significant cash expenditures. However, third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In any of these cases, we may be required to expend significant time and expense to prevent infringement or to enforce our rights. Although we have taken measures to protect our proprietary rights, others may offer products or concepts that are substantially similar to ours and compete with our business. If we are unable to protect our proprietary rights or prevent unauthorized use or appropriation by third parties, the value of our brand and other intangible assets may be diminished, and competitors may be able to more effectively mimic our service and methods of operations. Any of these events could seriously harm our business. If we are subject to intellectual property infringement claims, it could cause us to incur significant expenses, pay substantial damages or royalties and prevent us from offering our applications. From time to time, third parties may claim that our applications infringe or violate their intellectual property rights. Any claims of infringement could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages and prevent us from using licensed technology that may be fundamental to our applications. Even if we were to prevail, any litigation regarding intellectual property could be costly and time- consuming and divert the attention of our management and key personnel from our business operations. We maintain insurance to protect against intellectual property infringement claims and resulting litigation, but such insurance may not cover or may not be sufficient to cover all potential claims, liability or expenses. We may also be obligated to indemnify our business partners in any such litigation, which could further exhaust our resources. Furthermore, as a result of an intellectual property challenge, we may be prevented from offering our applications unless we enter into royalty, license or other agreements. We may not be able to obtain such agreements at all or on terms acceptable to us, and as a result, we may be precluded from offering our applications and services. Risks Related to Ownership of Our Common Stock Our common stock is historically thinly traded, stockholders may be unable to sell at or near ask prices or at all and the price of our common stock may be volatile. Historically, shares of our common stock were thinly traded on the OTCQB and have ~~usually~~ **typically** been thinly traded following our uplist to The Nasdaq Capital Market (" Nasdaq ") **in 2021** , meaning that the number of persons interested in purchasing our common stock at or near ask prices at any given time may be relatively small or non- existent. This situation is attributable to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stockbrokers, institutional investors and others in the investment community that generate or influence sales volume. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non- existent, as compared to a seasoned issuer that has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on stock price. However, during certain periods **,** we have received, and may continue to receive, a high degree of media coverage that is published or otherwise disseminated by third parties, including blogs, articles, message boards and social and other media. This may include coverage that is not attributable to statements made by the Company or our Board of Directors. Information provided by third parties may not be reliable or accurate and could materially impact the trading price of our common stock **,** which could cause stockholders to lose their investments. The market prices and trading volume of our common stock have ~~recently~~ **in the past** experienced, and may continue to experience **in the future** , extreme volatility, which could cause purchasers of our common stock to incur substantial losses. We believe that the ~~recent~~ **historical** volatility and our ~~current~~ **historical** market prices **during such periods** ~~reflect~~ **reflected** market and trading dynamics unrelated to our underlying business, or macro or industry fundamentals, and we do not know if these dynamics will continue **in the future** . Although our common stock is listed for trading on Nasdaq, a broader or more active public trading market for our common stock may not develop or be sustained, and the current trading level of our common stock may not be sustained. Due to these conditions, stockholders may be unable to sell their common stock at or near ask prices or at all if they desire to sell shares of common stock. The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of our common stock, especially in light of the macro- economic factors including rising inflation rates, **increased interest rates, bank- specific and broader financial institution liquidity challenges,** the ~~war in~~ **Russia-** Ukraine **conflict** and the ~~COVID~~ **Israel** - ~~19 pandemic~~ **Hamas conflict** . In the past, following periods of volatility in the market price of a company' s securities, stockholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm our profitability and reputation. Because of the limited trading market for our common stock, and because of the possible price volatility, stockholders may not be able to sell their shares of common stock when you desire to do so. The inability to sell shares in a rapidly declining market may substantially increase the risk of loss because of such illiquidity and because the price for our common stock may suffer greater declines because of its price volatility. The ownership of our common stock is significantly concentrated in a small number of investors, some of whom are affiliated with our Board of Directors and management, which could prevent stockholders from having input on the course of our operations or otherwise lead to actual or potential conflicts of interest. As of March ~~15~~ **11** , ~~2023~~ **2024** , Jason Katz, our Chairman of the Board of Directors, Chief Executive Officer, Chief Operating Officer and President, **and our largest stockholder, The J. Crew Delaware Trust B,** beneficially owned **an aggregate of** approximately ~~38~~ **26. 0** % of our outstanding common stock ~~, including shares of common stock held directly by Mr~~ . ~~Katz' s spouse, and~~ The J. Crew Delaware Trust ~~A,~~ **B is** a trust formed by Mr. Katz for the benefit of certain of his family members. Mr. Katz is not a beneficiary of the trust and does not hold voting or dispositive power over the shares held by the trust. Mr. Katz, The J. Crew Delaware Trust ~~A~~ **B** and others that have significant beneficial ownership of our common ~~shares~~ **stock** have substantial influence regarding matters submitted for stockholder approval, including proposals regarding: ● any merger, consolidation or sale of all or substantially all of our assets; ● the election of members of our Board of Directors; and ● any amendment to our Certificate of Incorporation, as amended (the " Certificate of Incorporation "). The current or increased ownership position of any of these stockholders and / or their respective affiliates could delay, deter or prevent a change of control or adversely affect the price that investors might be willing to pay in the future for our common ~~shares~~ **stock** . In addition, the interests of these stockholders and / or their respective affiliates may significantly differ from the interests of our other stockholders and they may vote the common ~~shares~~ **stock** they beneficially own in ways with which our other stockholders disagree. If we fail to maintain an effective system of internal controls over financial reporting, we may not be able to accurately report our financial results or prevent fraud and our business may be harmed and our stock price may be adversely impacted. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and to effectively prevent fraud. Any inability to provide reliable financial reports or to prevent fraud could harm our business. The Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act ") requires management to evaluate and assess the effectiveness of our internal control over financial reporting. In order to continue to comply with the requirements of the Sarbanes- Oxley Act, we are required to continuously evaluate and, where appropriate, enhance our policies, procedures and internal controls. We have in the past failed, and may in the future fail, to maintain the adequacy of our internal controls over financial reporting. Such failure could subject us to litigation or regulatory scrutiny and investors could lose confidence in the accuracy and completeness of our financial reports. We cannot provide any assurance that in the future we will be able to fully comply with the requirements of the Sarbanes- Oxley Act or that management will conclude that our internal control over financial reporting is effective. If we fail to fully comply with the requirements of the Sarbanes- Oxley Act, our business may be harmed, and our stock price may decline. Our results of operations are volatile and difficult to predict, and our stock price may decline if we fail to meet the expectations of stockholders. Our revenue and results of operations could vary significantly from period- to- period and year- to- year and may fail to match our past performance because of a variety of factors, many of which are outside of our control. Any of these events could cause the market price of our common stock to fluctuate. Factors that may contribute to the variability of our results of operations include: ● changes in expectations as to our future financial performance; ● announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships or capital commitments; ● market acceptance of our new applications and enhancements to our existing applications; ● the amount of advertising and marketing that is available and spent on user acquisition campaigns; ● disruptions in the availability of our applications on third party platforms; ● actual or perceived violations of privacy obligations and compromises of subscriber data; ● the entrance of new competitors in our market whether by established companies or the entrance of new companies; ● additions or departures of key personnel and the cost of attracting and retaining application developers and other software engineers; ● general market conditions, including market volatility and the impact of inflation; and ● developments in connection with our current patent litigation or future patent litigation. Given the rapidly evolving industry in which we operate, our historical results of operations may not be useful in predicting our future results of operations. In addition, metrics available from third parties regarding our industry and the performance of our applications may not be indicative of our future financial performance. ~~We may be adversely affected by the effects of inflation. Increased inflation may result in decreased demand for our products and services, increased operating costs (including our labor costs), reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In addition, the United States Federal Reserve has raised, and may continue to raise, interest rates in response to concerns about inflation. Increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks. In an inflationary environment, we may be unable to raise the prices of our subscriptions at or above the rate at which our costs increase, which could / would reduce our profit margins and have a material adverse effect on our financial results and net income. We also may experience lower than expected sales and potential adverse impacts on our competitive position if there is a decrease in consumer spending or a negative reaction to our pricing. A reduction in our revenue would be detrimental to our profitability and financial condition and could also have an adverse impact on our future growth.~~ The issuance of shares upon the exercise of stock options and unvested shares of restricted common stock may cause immediate and substantial dilution to our existing stockholders. As of December 31, ~~2022~~ **2023** , we had approximately ~~792~~ **550** , ~~055~~ **164** shares of common stock that were issuable upon the exercise of vested outstanding stock options. The issuance of shares upon the exercise of these options may result in substantial dilution to the equity interest and voting power of holders of our common stock. In the future, we may also issue additional shares of common stock or other securities convertible into or exchangeable for shares of common stock. Our Certificate of Incorporation currently authorizes us to issue up to 25, 000, 000 shares of common stock, of which 9, ~~864~~ **222** , ~~120~~ **157 shares (excluding treasury shares)** were outstanding as of December 31, ~~2022~~ **2023** , **and** ~~which includes~~ 10, 000, 000 shares of preferred stock with such designations, preferences and rights as determined by our Board of Directors, of which none were outstanding as of December 31, ~~2022~~ **2023** . The issuance of additional shares of our common stock may substantially dilute the ownership interests of our existing stockholders. Furthermore, sales of a substantial amount of our common stock in the public market, or the perception that these sales may occur, could reduce the market price of our common stock. This could also impair our ability to raise additional capital through the sale of our securities. Because we have no current plans to pay cash dividends on our common stock for the foreseeable future, a stockholder might not receive any return on investment unless the stockholder sold its shares of common stock for a price greater than that for which the shares were purchased. We do not anticipate that we will declare or pay any dividends on our common stock in the foreseeable future. Consequently, stockholders will only realize an economic gain on their investment in our common stock if the price appreciates. Stockholders should not purchase our common stock expecting to receive cash dividends. Because we currently do not pay dividends, and there may be limited trading in our common stock, stockholders may not have any manner to liquidate or receive any payment on their common stock. Therefore, our failure to pay dividends may cause stockholders to not see any return on their common stock even if we are successful in our business operations. In addition, because we do not pay dividends, we may have trouble raising additional funds which could affect our ability to expand our business operations. Our Certificate of Incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or stockholders. Our Certificate of Incorporation provides that, subject to limited exceptions, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of our Company, (ii) action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee, agent, or stockholder of our Company to the Company or the Company' s stockholders, (iii) action asserting a claim against the Company or any director, officer, employee, agent, or stockholder of the Company arising pursuant to any provision of the Delaware General Corporation Law or our Certificate of Incorporation or our Amended and Restated By- Laws, as amended, or (iv) action asserting a claim against the Company or any director, officer, employee, agent, or stockholder of the Company governed by the internal affairs doctrine. **This exclusive forum provision applies to state and federal law claims, although our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. In addition, our Amended and Restated Bylaws provide that, unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States are, to the fullest extent permitted by law, the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act.** Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and to have consented to ~~the~~ **these** provisions ~~of~~ **in** our ~~amended and restated certificate~~ **Certificate** of ~~incorporation~~ **Incorporation** ~~described above~~ **and Amended and Restated Bylaws** . ~~This exclusive~~ **These choice of** forum ~~provision~~ **provisions** ~~applies to state and federal law claims, although our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder. In addition, this exclusive forum selection provision will not apply to claims under the Exchange Act. Moreover, Section 22 of the Securities Act creates concurrent jurisdiction for~~

~~federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, there is uncertainty as to whether a court would enforce our forum selection provision as written in connection with claims arising under the Securities Act. This choice of forum provision~~ may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Investor relations activities, nominal " float " and supply and demand factors may affect the price of our common stock. We have engaged an investor relations firm to create investor awareness for our Company. These campaigns may include non- deal road shows and personal, video and telephone conferences with investors and prospective investors in which our business and business practices are described. We provide compensation to our investor relations firm ~~,~~ and may in the future provide compensation to additional investor relations firms or financial advisory firms, for these services, and pay for newsletters, websites, mailings and email campaigns that are produced by third parties based upon publicly available information concerning us. We do not intend to review or approve of the content of such analyst reports or other writings and communications that are based upon analysts' own research or methods. Investor relations firms are generally required to disclose when they are compensated for their efforts and the source of such compensation, but whether such disclosure is made or in compliance with applicable laws is not under our control. In addition, our investors may, from time to time, take steps to encourage investor awareness through similar activities that may be undertaken at the expense of such investors. Investor awareness activities may also be suspended or discontinued, which may impact the trading market of our common stock. The SEC and the Financial Industry Regulatory Authority enforce various statutes and regulations intended to prevent manipulative or deceptive devices in connection with the purchase or sale of any security and carefully scrutinize trading patterns and company news and other communications for false or misleading information, particularly in cases where the hallmarks of " pump and dump " activities may exist, such as rapid share price increases or decreases. We and our stockholders may be subjected to enhanced regulatory scrutiny due to the fact that our affiliates hold a majority of our outstanding common stock and we have a limited number of shares of common stock that are publicly available for resale. The Supreme Court of the United States has stated that manipulative action is a term of art connoting intentional or willful conduct designed to deceive or defraud investors by controlling or artificially affecting the price of securities. Often times, manipulation is associated by regulators with forces that upset the supply and demand factors that would normally determine trading prices. Securities regulators have often cited thinly- traded markets, small numbers of holders and awareness campaigns as components of their claims of price manipulation and other violations of law when combined with manipulative trading, such as wash sales, matched orders or other manipulative trading timed to coincide with false or touting press releases. **Our** ~~There can be no assurance that our~~ activities or the activities of third parties, or the small number of potential sellers or small percentage of stock in our public float, or determinations by purchasers or holders as to when or under what circumstances or at what prices they may be willing to buy or sell stock, **could** ~~will not~~ artificially impact (or ~~would~~ **could** be claimed by regulators to have affected) the normal supply and demand factors that determine the price of our common stock. If we are not able to comply with the applicable continued listing requirements or standards of Nasdaq, Nasdaq could delist our securities. Our common stock was approved for listing on Nasdaq under the symbol " PALT " and began trading on Nasdaq on August 3, 2021. **However,** ~~We cannot assure~~ our **common stock may not** ~~stockholders that our securities will~~ continue to be listed on Nasdaq in the future. In order to maintain ~~that~~ **our** listing **on Nasdaq** , we must satisfy minimum financial and other continued listing requirements and standards, including those regarding director independence and independent committee requirements, minimum stockholders' equity, minimum share price, and certain corporate governance requirements. We may not be able to comply with the applicable listing standards **,** and Nasdaq could delist our ~~securities~~ **common stock** as a result. **If** ~~We cannot assure our stockholders that~~ our common stock **is** ~~, if~~ delisted from Nasdaq, ~~will~~ **we may** be **unable to** ~~listed~~ -- **list our common stock** on another national securities exchange. If our common stock is delisted by Nasdaq, our common stock would likely trade on the OTCQB where an investor may find it more difficult to sell our shares or obtain accurate quotations as to the market value of our common stock.