Risk Factors Comparison 2024-03-26 to 2023-04-17 Form: 10-K

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

~~An investment in our Common Stock involves a high degree of risk. Investing in shares of our Common Stock involves risks. Before making a decision to invest in shares of our Common Stock, you should carefully consider the risks that are described in this section and in the other information that we file from time to time with the SEC. You should also read the sections entitled " Cautionary Note Regarding Forward- Looking Statements ". Additional risks not presently known or that we currently deem immaterial could also materially and adversely affect us. You should consult your own financial and legal advisors as to the risks entailed by an investment in shares of our Common Stock and the suitability of investing in our shares in light of your particular circumstances. If any of the risks contained in this Annual Report on Form 10- K develop into actual events, our assets, business, cash flows, condition (financial or otherwise), credit quality, financial performance, liquidity, long- term performance goals, prospects, and / or results of operations could be materially and adversely affected, the trading price of our Common Stock could decline and you may lose all or part of your investment.~~ Risks Related to Our ~~Company~~ **Business and Industry** The loss of key personnel or the inability of replacements to quickly and successfully perform in their new roles could adversely affect our business. We depend on the leadership and experience of our relatively small number of key executive management personnel, particularly our Chairman of the Board of Directors (the " Board ") and Executive Vice President, Ben Errez, and our Director and Chief Executive Officer, Fredi Nisan. The loss of the services of any of our key executives or any of our executive management members could have a material adverse effect on our business and prospects, as we may not be able to find suitable individuals to replace such personnel on a timely basis or without incurring increased costs, or at all. Furthermore, if we lose or terminate the services of one or more of our key employees or if one or more of our current or former executives or key employees joins a competitor or otherwise competes with us, it could impair our business and our ability to successfully implement our business plan. Additionally, if we are unable to hire qualified replacements for our executive and other key positions in a timely fashion, our ability to execute our business plan would be harmed. Even if we can quickly hire qualified replacements, we would expect to experience operational disruptions and inefficiencies during any transition. We believe that our future success will depend on our continued ability to attract and retain highly skilled and qualified personnel. There is a high level of competition for experienced, successful personnel in our industry. Our inability to meet our executive staffing requirements in the future could impair our growth and harm our business. Our executive officers, directors, and principal shareholders maintain the ability to control substantially all matters submitted to shareholders for approval. As of December 31, ~~2022~~ **2023**, our executive officers, directors, and shareholders who owned more than 5 % of our outstanding Common Stock, in the aggregate, beneficially owned ~~18~~ **2**, ~~935~~ **229**, ~~101~~ **819** shares of Common Stock representing approximately ~~38~~ **36** % of our outstanding capital stock. As a result, if these shareholders were to choose to act together, they would be able to control substantially all matters submitted to our shareholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of us on terms that other shareholders may desire ~~. Our financial statements may be materially affected if our estimates prove to be inaccurate as a result of our limited experience in making critical accounting estimates. Financial statements prepared in accordance with GAAP require the use of estimates, judgments, and assumptions that affect the reported amounts. Actual results may differ materially from these estimates under different assumptions or conditions. These estimates, judgments, and assumptions are inherently uncertain, and, if they prove to be wrong, then we face the risk that charges to income will be required. In addition, because we have limited to no operating history and limited experience in making these estimates, judgments, and assumptions, the risk of future charges to income may be greater than if we had more experience in these areas. Any such charges could significantly harm our business, financial condition, results of operations, and the price of our securities. The restatement of our historical financial statements has consumed a significant amount of our time and resources and may continue to do so. As described herein, we have restated our consolidated financial statements for the periods discussed herein. The restatement process was highly time and resource- intensive and involved substantial attention from management, as well as significant legal and accounting costs. Although we have now completed the restatement, we cannot guarantee that we will have no further inquiries from the SEC or The Nasdaq Stock Market regarding our restated consolidated financial statements or matters relating thereto. Any future inquiries from the SEC or The Nasdaq Stock Market as a result of the restatement of our historical financial statements will, regardless of the outcome, likely consume a significant amount of our resources in addition to those resources already consumed in connection with the restatement itself. Further, many companies that have been required to restate their historical financial statements have experienced a decline in stock price and stockholder lawsuits related thereto. Our financial statements may be materially affected as a result of material weaknesses in internal accounting controls. As a result of the material weaknesses described below, as of December 31, 2022, our disclosure controls and procedures are not designed at a reasonable assurance level and are ineffective to provide reasonable assurance that information we are required to disclose in reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, as appropriate, to allow timely decisions regarding required disclosure. The material weaknesses, which relate to internal control over financial reporting, that were identified are that we did not have sufficient personnel in our accounting and financial reporting functions to achieve an adequate segregation of duties to provide for adequate reviewing of the financial statements. This control deficiency, which is~~

~~pervasive in nature, results in a reasonable possibility that material misstatements of the financial statements will not be prevented or detected on a timely basis. We may require additional financing to sustain or grow our operations. Our growth will be dependent on our ability to access additional equity and debt capital. Moreover, part of our business strategy may involve the use of debt financing to increase potential revenues. Our inability in the future to obtain additional equity capital or a corporate credit facility on attractive terms, or at all, could adversely impact our ability to execute our business strategy, which could adversely affect our growth prospects and future shareholder returns. We may not realize the anticipated benefits of acquisitions or investments in joint ventures, or those benefits may be delayed or reduced in their realization. Acquisitions and investments are likely to be a component of our growth and the development of our business, in the future. Acquisitions can broaden and diversify our product concepts. In reviewing potential acquisitions or investments, we target assets or companies that we believe offer attractive products or offerings, the ability for us to leverage our offerings, competencies, or other synergies. The combination of two or more independent businesses is a complex, costly, and time- consuming process that will require significant management attention and resources. The integration process may disrupt the businesses and, if implemented ineffectively, would limit the expected benefits of the acquisition. The failure to meet the challenges involved in integrating businesses and realizing the anticipated benefits could cause an interruption of, or a loss of momentum in, our activities and could adversely affect our results of operations. The overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customer and other business relationships, and diversion of management' s attention. The difficulties of combining the operations of the companies include, among others: ● the diversion of management' s attention to integration matters; ● difficulties in achieving anticipated cost savings, synergies, business opportunities, and growth prospects from the combination; ● potential challenges in obtaining requisite government regulator approvals; ● difficulties in the integration of operations and systems; and ● conforming standards, controls, procedures, accounting and other policies, business cultures, and compensation structures between the two companies. We cannot be certain that the products and offerings of companies we may acquire, or acquire an interest in, will achieve or maintain popularity with consumers in the future or that any such acquired companies or investments will allow us to more effectively market our products, develop our competencies or to grow our business. In some cases, we expect that the integration of the companies that we may acquire into our operations will create production, marketing and other operating, revenue or cost synergies which will produce greater revenue growth and profitability and, where applicable, cost savings, operating efficiencies and other advantages. However, we cannot be certain that these synergies, efficiencies and cost savings will be realized. Even if achieved, these benefits may be delayed or reduced in their realization. In other cases, we may acquire or invest in companies that we believe have strong and creative management, in which case we may plan to operate them more autonomously rather than fully integrating them into our operations. We cannot be certain that the key talented individuals at these companies would continue to work for us after the acquisition or that they would develop popular and profitable products, entertainment or services in the future. We cannot guarantee that any acquisition or investment we may make will be successful or beneficial, and acquisitions can consume significant amounts of management attention and other resources, which may negatively impact other aspects of our business. Our operating results may fluctuate significantly as a result of a variety of factors, many of which are outside of our control, which could cause fluctuations in the price of our securities. We are subject to the following factors that may negatively affect our operating results: ● our ability to upgrade and develop our systems and infrastructure to accommodate growth; ● our ability to attract and retain key personnel in a timely and cost- effective manner; ● technical difficulties; ● the amount and timing of operating costs and capital expenditures relating to the expansion of our business, operations, and infrastructure; ● our ability to identify and enter into relationships with appropriate and qualified third- party providers for necessary development and manufacturing services; ● regulation by federal, state, or local governments; ● banking industry turmoil and headwinds in the digital asset space; ● general economic conditions, as well as economic conditions specific to the entertainment, theme park, party items, arts and crafts, and packaging industries; and ● various risks related to health epidemics, pandemics and similar outbreaks, such as the coronavirus disease 2019 (" COVID- 19 ") pandemic, which may have material adverse effects on our business, financial position, results of operations and / or cash flows. As a result of our lack of any operating history and the nature of the markets in which we compete, it is difficult for us to forecast our revenues or earnings with a high degree of certainty. As a strategic response to changes in the competitive environment, we may from time to time make certain decisions concerning expenditures, pricing, service, or marketing that could have a material and adverse effect on our business, results of operations, and financial condition. Due to the foregoing factors, our quarterly revenues and operating results are difficult to forecast~~. Low demand for new products and the inability to develop and introduce new products at favorable margins could adversely impact our performance and prospects for future growth. Our competitive advantage is due in part to our ability to develop and introduce new products in a timely manner at favorable margins. The uncertainties associated with developing and introducing new products, such as market demand and costs of development and production, may impede the successful development and introduction of new products on a consistent basis. Introduction of new technology may result in higher costs to us than that of the technology replaced. That increase in costs, which may continue indefinitely or until increased demand and greater availability in the sources of the new technology drive down its cost, could adversely affect our results of operations. Market acceptance of the new products introduced in recent years and scheduled for introduction in future years may not meet sales expectations due to various factors, such as the failure to accurately predict market demand, end- user preferences, evolving industry standards, or the emergence of new or disruptive technologies. Moreover, the ultimate success and profitability of the new products may depend on our ability to resolve technical and technological challenges in a timely and cost- effective manner. Our investments in productive capacity and commitments to fund advertising and product promotions in connection with these new products could erode profits if those expectations are not met. ~~our~~ ability to continue as a going concern or to pursue our new strategy at all,which could have a material adverse effect on our business,prospects or operations.The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or other alternatives.The development and acceptance of competing blockchain platforms or technologies may cause consumers to use alternative distributed ledgers or an alternative to distributed ledgers altogether.This may adversely affect us and our exposure to various blockchain technologies and prevent us from realizing the anticipated profits from our investments.Such circumstances could have a material adverse effect on our ability to continue as a going concern or to pursue our new strategy at all,which could have a material adverse effect on our business,prospects or operations.Litigation may adversely affect **our** We are increasingly dependent on information technology, and potential cyberattacks, security problems, or other disruption and expanding social media vehicles present new risks. We rely on information technology networks and systems, including the internet, to process, transmit, and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, billing, and operating data. We may purchase some of our information technology from vendors, on whom our systems will depend, and we rely on commercially available systems, software, tools, and monitoring to provide security for processing, transmission, and storage of confidential operator and other customer information. We depend upon the secure transmission of this information over public networks. Our networks and storage applications could be subject to unauthorized access by hackers or others through cyberattacks, which are rapidly evolving and becoming increasingly sophisticated, or by other means, or may be breached due to operator error, malfeasance or other system disruptions. In some cases, it will be difficult to anticipate or immediately detect such incidents and the damage they cause. Any significant breakdown, invasion, destruction, interruption, or leakage of information from our systems could harm our business. Further, in the normal course of our business, we collect, store and transmit proprietary and confidential information regarding our customers, employees, and others, including personally identifiable information. An operational failure or breach of security from increasingly sophisticated cyber threats could lead to loss, misuse or unauthorized disclosure of this information about our employees or customers, which may result in regulatory or other legal proceedings, and have a material adverse effect on our business. We also may not have the resources or technical sophistication to anticipate or prevent rapidly --evolving types of cyber- attacks. Any such attacks or precautionary measures taken to prevent anticipated attacks may result in increasing costs, including costs for additional technologies, training and third - party consultants. The losses incurred from a breach of data security and operational failures as well as the precautionary measures required to address this evolving risk may adversely impact our financial condition, results of operations and cash flows. Privacy regulation is an evolving area and compliance with applicable privacy regulations may increase our operating costs or adversely impact our ability to service our clients and market our products and services. Because we store, process and use data, some of which contains personal information, we are subject to complex and evolving federal, state, and foreign laws and regulations regarding privacy, data protection, and other matters. While we believe we are currently in compliance with applicable laws and regulations, many of these laws and regulations are subject to change and uncertain interpretation, and could result in investigations, claims, changes to our business practices, increased cost of operations, and declines in user growth, retention, or engagement, any of which could seriously harm our business. Data privacy and security concerns relating to our technology and our practices could cause us to incur significant liability and deter current and potential users from using our products and services. Software bugs or defects, security breaches, and attacks on our systems could result in the improper disclosure and use of user data and interference with our users' ability to use our products and services, harming our business operations. Concerns about our practices with regard to the collection, use, disclosure, or security of personal information or other data- privacy- related matters, even if unfounded, could harm our financial condition, and operating results. Our policies and practices may change over time as expectations regarding privacy and data change. Our products and services involve the storage and transmission of proprietary information, and bugs, theft, misuse, defects, vulnerabilities in our products and services, and security breaches expose us to a risk of loss of this information, improper use and disclosure of such information, litigation, and other potential liability. Systems and control failures, security breaches and / or inadvertent disclosure of user data could result in government and legal exposure, seriously harm our business, and impair our ability to attract and retain customers. We may experience cyber- attacks and other attempts to gain unauthorized access to our systems. We may experience future security issues, whether due to employee error or malfeasance or system errors or vulnerabilities in our or other parties' systems, which could result in significant legal and financial exposure. We may be unable to anticipate or detect attacks or vulnerabilities or implement adequate preventative measures. Attacks and security issues could also compromise trade secrets and other sensitive information, harming our business. As a result, we may suffer significant legal or financial exposure, which could harm our business, financial condition, and operating results . A prolonged economic downturn could adversely...... financial condition, and results of operations . Third- party claims of infringement against us could adversely affect our ability to market our products and require us to redesign our products or seek licenses from third parties. We are susceptible to intellectual property lawsuits that could cause us to incur substantial costs, pay substantial damages, or prohibit us from distributing our products. Whether a product infringes a patent involves complex legal and factual issues, the determination of which is often uncertain. In addition, because patent applications can take many years to issue, there may be applications now pending of which we are unaware, which later may result in issued patents that our products may infringe. If any of our products infringe a valid patent, we could be prevented from distributing that product unless and until we can obtain a license or redesign it to avoid infringement. A license may not be available or may require us to pay substantial royalties. We also may not be successful in any attempt to redesign the product to avoid any infringement. Infringement and other intellectual property claims, with or without merit, can be expensive and time- consuming to litigate, and we may not have the financial and human resources to defend ourselves against any infringement suits that may be brought against us. We may employ individuals who were previously employed by companies that are developing blockchain or cryptocurrency products and technology, including our competitors or potential competitors. To the extent our employees are involved in research areas which are similar to those areas in which they were involved at their former employers, we may be subject to claims that such employees and / or we have inadvertently or otherwise used or disclosed the alleged trade secrets or other proprietary information of the former employers.

Litigation may be necessary to defend against such claims, which could result in substantial costs and be a distraction to management and which may have a material adverse effect on us, even if we are successful in defending such claims. We also rely in our business on trade secrets, know- how and other proprietary information. We seek to protect this information, in part, through the use of confidentiality agreements with employees, consultants, advisors and others. Nonetheless, we cannot assure you that those agreements will provide adequate protection for our trade secrets, know- how or other proprietary information and prevent their unauthorized use or disclosure. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to our proposed products, disputes may arise as to the proprietary rights to such information which may not be resolved in our favor. Most of our consultants are employed by or have consulting agreements with third parties and any inventions discovered by such individuals generally will not become our property. There is a risk that other parties may breach confidentiality agreements or that our trade secrets become known or independently discovered by competitors, which could adversely affect us. ~~It may be~~ **Risks Related to Owning Our Common Stock We are subject to increased costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives. As a public company, we incur significant** ~~illegal~~ - **legal** ~~now~~ , ~~or in~~ **accounting, and** ~~the~~ **other** ~~future~~ **expenses that we did not incur as a private company** , **including costs associated with public company reporting requirements** ~~to participate in blockchains or utilize similar digital assets in one or more countries, the ruling of which would adversely affect us~~ . **The Sarbanes** ~~Although currently cryptocurrencies and blockchain~~ - ~~based solutions generally~~ **Oxley Act, as well as rules subsequently adopted by the SEC and Nasdaq to implement provisions of the Sarbanes- Oxley Act, impose significant requirements on public companies, including requiring establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Further, in July 2010, the Dodd- Frank Wall Street Reform and Consumer Protection Act, or the Dodd- Frank Act, was enacted. There** are ~~not~~ **significant corporate governance and executive compensation** ~~regulated~~ - **related** ~~or~~ **provisions in the Dodd- Frank Act that require the SEC to adopt additional rules and regulations in these** ~~are~~ **areas** ~~lightly regulated in most countries~~ , ~~one or more countries~~ such as ~~China~~ **" say on pay "** and ~~Russia may take~~ **proxy access. Stockholder activism, the current political environment and the current high level of government intervention and** regulatory ~~actions~~ **reform may lead to substantial new regulations and disclosure obligations, which may lead to additional compliance costs and impact the manner in which we operate our business in ways we cannot currently anticipate. Our management and other personnel will devote a substantial amount of time to these compliance programs and monitoring of public company reporting obligations and as a result of the new corporate governance and executive compensation related rules, regulations and guidelines prompted by the Dodd- Frank Act and further regulations and disclosure obligations expected** in the future ~~that could severely restrict the right to acquire~~ , ~~own, hold, sell or~~ **we will likely need to devote additional time and costs to comply with such compliance programs and rules. These rules and regulations will cause** ~~use~~ - **us to incur significant legal and financial compliance costs and will make some activities more time- consuming and costly. The rules and regulations applicable to public companies have substantially increased our legal and financial compliance costs and make some activities more time- consuming and costly. If** these ~~digital assets~~ **requirements divert the attention of** ~~or~~ **our management and personnel from other business concerns, they** ~~to exchange for fiat currency. Such restrictions may adversely affect us. Such circumstances~~ could have a material adverse effect on our ability to continue as a going concern...... operations. Litigation may adversely affect our business, financial condition **,** and results of operations. ~~From time~~ **The increased costs will decrease our net income and may require us** to ~~time~~ **reduce costs** in ~~the~~ **other areas** ~~normal course~~ of our business ~~operations~~ **or increase the prices of our products or services. For example** , **these rules** ~~we may become subject to litigation involving intellectual property, data privacy~~ and **regulations made it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to incur substantial costs in the future to maintain the same or similar coverage. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our Board, our Board committees or as executive officers. If** ~~security~~ **securities or industry analysts do not publish research** , ~~consumer protection~~ **or publish inaccurate or unfavorable research** , ~~commercial disputes~~ **about our business, our stock price** and **our trading volume could decline. The trading market for our Common Stock depends, in part, on** ~~other~~ - **the** ~~matters~~ **research and reports** that ~~may negatively affect~~ **securities or industry analysts publish about us or our business. While we currently have certain analyst coverage, if one or more of the analysts who cover us downgrade our Common Stock or publish inaccurate or unfavorable research about our business, our stock price could decline. In addition, if** our operating results **fail** ~~if changes~~ to **meet** ~~our business operation are required. We may also be subject to a variety of claims including product warranty, product liability, and consumer protection claims related to product defects, among other~~ - **the forecast of analysts** ~~litigation. We may also be subject to claims involving health and safety~~ , ~~other environmental impacts, or~~ **our stock price** ~~service disruptions or failures. The cost to defend such litigation may be significant and may require a diversion of our resources. There also may be adverse publicity associated with litigation that~~ could **decline. If one** ~~negatively affect customer perception of our~~ - **or more** ~~business, regardless~~ of ~~whether the~~ **these analysts cease** ~~allegations are valid or whether we are ultimately found liable. As a result, litigation may adversely affect our business, financial condition and results of operations. In addition, insurance may not cover~~ **coverage of** ~~existing or future claims, be sufficient to fully compensate~~ us **or fail to publish reports on us regularly, demand** for ~~one or~~ **our Common Stock** ~~more of such claims, or continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured~~ could **decrease** ~~result in unanticipated costs~~ , ~~thereby adversely affecting~~ **which might cause** our **stock price** ~~results of operations~~ and ~~resulting in a reduction in the~~ trading **volume** ~~price of our stock. Expectations relating~~ to **decline** ~~environmental, social, and governance (ESG) considerations could expose us to potential liabilities, increased costs, and reputational harm~~ . ~~We are subject to laws, regulations, and other measures that govern a wide~~

~~range of topics, including those related to matters beyond our core products and services. For instance, new laws, regulations, policies, and international accords relating to ESG matters, including sustainability, climate change, human capital, and diversity, are being developed and formalized in Europe, the U. S., and elsewhere, which may entail specific, target- driven frameworks and / or disclosure requirements. Any failure, or perceived failure, by us to adhere to our public statements, comply fully with developing interpretations of ESG laws and regulations, or meet evolving and varied stakeholder expectations and standards could harm our business, reputation, financial condition, and operating results.~~