

# **Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

## **LIVEWORLD, INC.**

2105 S Bascom Ave. Suite 159

Campbell, California 95008

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(800) 301-9507

Liveworld.com

IR@liveworld.com

SIC Code 518210

## **Quarterly Report**

**For the period ending March 31, 2023 (the "Reporting Period")**

### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

45,633,442 as of May 11, 2023

45,633,442 as of March 31, 2023

### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

### **Change in Control**

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

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<sup>1</sup> "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the

Yes:  No:

**1) Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

LiveWorld, Inc. 2105 S. Bascom Ave, Suite 159, Campbell, CA 95008. Previously known as TalkCity, Inc. The company changed its name on May 8, 2001.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Delaware. The company is active.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

The address(es) of the issuer's principal executive office:

2105 S. Bascom Ave, Suite 159, Campbell, CA 95008

The address(es) of the issuer's principal place of business:

*x Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No:  Yes:  If Yes, provide additional details below:

**2) Security Information**

**Transfer Agent**

Name: AST  
Phone: 1-800-937-5449  
Email: admin3@astfinancial.com  
Address: 6201 15<sup>th</sup> Ave, Brooklyn, NY 11219

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surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**Publicly Quoted or Traded Securities:**

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

Trading symbol:	LVWD	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:		
Par or stated value:	\$0.001	
Total shares authorized:	100,000,000	as of date: May 11,2023
Total shares outstanding:	45,633,442	as of date: May 11,2023
Total number of shareholders of record:	159	as of date: May 11,2023

**Security Description:**

**1. For common equity, describe any dividend, voting and preemption rights.**

There are no dividends. The common stock has voting rights, ownership, the right to transfer ownership, and to any dividend payments.

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

This does not apply to LiveWorld.

**3. Describe any other material rights of common or preferred stockholders.**

None.

**4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

None.

**3) Issuance History**

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

**A. Changes to the Number of Outstanding Shares**

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> Date _____ Common: _____ Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to.  *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report: <u>Ending Balance</u> <u>Ending Balance:</u> Date _____ Common: _____ Preferred: _____									

**B. Promissory and Convertible Notes**

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities :

No:  Yes:  (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder.  *You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

**4) Issuer’s Business, Products and Services**

A. Summarize the issuer’s business operations (If the issuer does not have current operations, state “no operations”)

LiveWorld Incorporated (the “Company”) was incorporated in California on April 10, 1996 and reincorporated in Delaware in July 1999. In April 1999 the Company changed its name from LiveWorld Productions to Talk City, Inc. On May 8, 2001, the Company changed its name from Talk City, Inc. to LiveWorld, Inc. The Company’s principal business is a combination of digital agency services and software that empower companies to deepen customer relationships with emotion driven behavior change through campaigns with a human touch. We provide consulting, strategy, and creative along with human agents for moderation, engagement, customer care, and adverse events management, as well as conversation management software, and chatbots for digital campaigns and social media programs.

B. List any subsidiaries, parent company, or affiliated companies.

None.

C. Describe the issuers’ principal products or services.

See item #4

**5) Issuer’s Facilities**

The company leases its office space at 2105 S. Bascom Ave, Suite 159, Campbell, CA, 95008. The company has not capitalized lease. It has approximately \$43,000 in property and equity. The majority of the PPE is computer and networking equipment.

**6) Officers, Directors, and Control Persons**

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more that 5% of any class of the issuers securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Peter H. Friedman	Chairman of Board & CEO	Los Gatos, CA	9,915,782	C/S	22%	

Bill Cleary	Board Member	Saratoga, CA				
Michael Gold	Board Member	Honolulu, HI	2,040,816	C/S	4%	
Jeff Hayzlett	Board Member	Sioux Falls, SD				
David Houston	Chief Financial Officer	Sunnyvale, CA				
JACKSON HOLE TRUST COMPANY	5% Owner	Jackson Hole, WY	5,002,200	C/S	11%	Robert Ackerman
Hernandez Family Holdings	5% Owner	Greentown, PA	5,499,592	C/S	12%	Felix Hernandez
Wunderman Thompson, LLC	5% Owner	New York, NY	2,625,666	C/S	6%	

## 7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None.

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None.

**8) Third Party Service Providers**

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Latham & Watkins  
Address 1: 140 Scott Drive  
Address 2: Palo Alto, CA 94025  
Phone: 1-650-328-4600  
Email: Jack.Sheridan@lw.com

Accountant or Auditor

Name: Karen Connair  
Firm: Marcum  
Address 1: 600 Anton Blvd, Suite 1600  
Address 2: Costa Mesa, CA  
Phone: 1-949-236-5600  
Email: kconnair@marcum.com

Investor Relations

Name: Adam Lowensteiner  
Firm: Lytham Partners  
Address 1: 4602 E. Thomas Road  
Address 2: Phoenix, AZ 85018  
Phone: 1-602-889-9600  
Email: lowensteiner@lythampartners.com

*All other means of Investor Communication:*

Twitter: <https://twitter.com/LiveWorld>  
Instagram: <https://www.instagram.com/liveworldinc/>  
LinkedIn: <https://www.linkedin.com/company/liveworld/>  
Facebook: <https://www.facebook.com/LiveWorld>  
TikTok: <https://www.tiktok.com/@liveworldinc>  
YouTube: [https://www.youtube.com/@LiveWorld\\_Inc](https://www.youtube.com/@LiveWorld_Inc)

**9) Financial Statements**

A. The following financial statements were prepared in accordance with:

- IFRS
- U.S. GAAP

B. The following financial statements were prepared by (name of individual)<sup>2</sup>:

Name: David Houston  
Title: Chief Financial Officer  
Relationship to Issuer: Officer of LiveWorld, Inc.

Describe the qualifications of the person or persons who prepared the financial statements: I have been the Chief Financial Officer of the company for over 16 years. I have an MBA from Santa Clara University with a focus in finance and accounting.



**LIVEWORLD, INC.**  
**UNAUDITED CONDENSED BALANCE SHEETS**  
(In thousands, except share data)

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalent	\$ 4,392	\$ 3,801
Accounts receivable, net	2,682	2,583
Prepaid expenses	289	180
Total current assets	7,363	6,564
Property and equipment, net	40	43
Other assets	26	26
Total assets	\$ 7,429	\$ 6,633
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 248	\$ 203
Accrued employee expenses	514	791
Other accrued liabilities	88	52
Deferred revenue	2,126	1,326
Total current liabilities	2,976	2,372
Total liabilities	2,976	2,372
Stockholders' equity		
Common stock: \$0.001 par value, 100,000,000 shares authorized 45,633,442 issued and outstanding as of March 31, 2023 and December 31, 2022 respectively	34	34
Additional paid-in capital	143,941	143,883
Accumulated deficit	(139,522)	(139,656)
Total stockholders' equity	4,453	4,261
Total liabilities and stockholders' equity	\$ 7,429	\$ 6,633

**LIVEWORLD, INC.**  
**CONDENSED STATEMENT OF OPERATIONS**  
(In thousands, except per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Total revenues	\$ 2,748	\$ 2,451
Cost of revenues	1,316	1,238
Gross Margin	<u>1,432</u>	<u>1,213</u>
Operating Expense		
Product development	259	202
Sales and marketing	430	401
General and administrative	608	483
Total operating expense	<u>1,297</u>	<u>1,086</u>
Income from operations	<u>135</u>	<u>127</u>
Income before tax	135	127
Other Income	1	-----
Provision for income taxes	2	5
Net income from operations	<u>134</u>	<u>122</u>
Basic income per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Shares used in computing basic loss per share	45,633,442	45,633,442
Diluted net income per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Shares used in computing diluted income per share	62,694,122	68,916,821
Departmental allocation of stock-based compensation:		
Cost of revenues	\$ 15	\$ 9
Product development	3	1
Sales and marketing	8	4
General and administrative	33	12
Total stock-based compensation	<u>\$ 59</u>	<u>\$ 26</u>

**LIVEWORLD, INC.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
(In thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Net income	\$ 134	\$ 122
Adjustments to reconcile net income provided by operating activities:		
Depreciation of long-lived assets	7	6
Stock-based compensation	59	26
Changes in operating assets and liabilities:		
Accounts receivable	(99)	(878)
Other assets	(109)	(232)
Accounts payable	46	79
Accrued liabilities	(241)	(264)
Deferred revenue	799	525
Net cash provided by operating activities	596	(616)
Cash flows from investing activities:		
Purchase of property and equipment	(5)	(3)
Net cash provided by investing activities	(5)	(3)
Cash flows from financing activities:		
Proceeds from exercise of stock options	-----	-----
Net cash provided by financing activities	-----	-----
Change in cash and cash equivalent	591	(619)
Cash and cash equivalents, beginning of period	3,801	3,551
Cash and cash equivalents, end of period	\$ 4,392	\$ 2,932
Supplemental disclosure of non-cash financing and investing activities:		
Income tax paid	\$ 2	\$ 5

**LIVEWORLD, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED March 31, 2023**  
(In thousands, except share data)

	<b>Common Stock Shares</b>	<b>Amount</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Stockholders' Equity</b>
Balance – December 31, 2022	45,633,442	\$ 34	\$ 145,367	\$ (139,656)	\$ 4,260
Stock-based compensation			26		59
Net income				134	134
Balance – March 31, 2023	<u>45,633,442</u>	<u>\$ 34</u>	<u>\$ 145,393</u>	<u>\$ (139,522)</u>	<u>\$ 4,453</u>

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation and Use of Estimates* – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The preparation of the accompanying financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents* – The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

*Fair Value Measurements* – Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. The accounting guidance for fair value establishes a three-level hierarchy for disclosure of fair value measurements, as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted market prices included in Level 1) that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the instrument's anticipated life.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying values of certain financial instruments of the Company, such as cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are approximate fair value due to their relatively short maturities.

*Concentrations of Credit Risk* – Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents. Bank deposits are held with two financial institutions having strong credit ratings and these deposits may at times be in excess of insured limits. The Company is exposed to credit risk in the event of a default by the financial institutions holding its cash and cash equivalents.

The Company's accounts receivable is derived primarily from customers who have signed contracts with the Company, for the Company to provide services to the customer. The Company performs ongoing credit evaluations of its customers, does not require collateral and maintains allowances for potential credit losses when deemed necessary.

*Allowances for Doubtful Accounts* – The Company did not record an allowance for doubtful accounts as of March 31, 2023, and December 31, 2022. The Company maintains an allowance for doubtful accounts for estimated losses that may arise if any of its customers are unlikely to make required payments. Management specifically analyzes the age of customer balances, historical bad debt experience, customer credit-worthiness, and changes in customer payment terms when making estimates of the uncollectibility of the Company's accounts receivable balances. If the Company determines that the financial condition of any of its customers deteriorated, whether due to customer specific or general economic issues, an increase in the allowance will be made. Accounts receivable are written off when all collection attempts have failed.

*Property and Equipment* – Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets of three years for computer equipment, software, and for furniture and office equipment. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the respective assets.

*Revenues* – The Company recognizes revenues when the following criteria have been met: persuasive evidence of an arrangement exists, the fees are fixed or determinable, no obligations remain, and collection of the related receivable is reasonably assured.

Revenues from service development and community set-up activities are deferred and are recognized ratably over the related development and service portions of the contract. Revenues from on-line community hosting, on-line community management, moderation services, and consulting are recognized as the services are provided.

*Cost of Revenues* – Cost of revenues is comprised of direct costs associated with the sales of our Strategy, Engagement, Moderation and Insight software and services to clients; the expenses associated with the development, set-up and operation of our services, including expenses associated with server costs for managing the software tools, license fees for our platform; and the cost of providing moderators, any creative services, and strategic consulting services the client may request from us. These expenses consist of freelancer costs, salaries, payroll taxes, benefits and related expenditures for moderation, creative services, consulting services, as well as, software license fees, cloud computing cost.

*Deferred Revenues* – Deferred revenues are the amounts associated with the initial service development and set-up of a community for our clients and/or prepayments by customers. These service development and set-up revenues are paid upfront but recognized ratably as the development and operational service contract is recognized.

*Product Development* – Product development expenses consist primarily of salaries, payroll taxes, benefits and related expenditures for technology, software development, project management and support personnel. Costs related to the development of new products and enhancements to existing products are charged to operations as incurred. Software development costs are required to be capitalized when a product's technological feasibility has been established by completion of a working model of the product. To date, completion of a working model of the Company's products and general release have substantially coincided. As a result, the Company has not capitalized any software development costs because such costs have not been significant.

*Sales and Marketing* – Sales and marketing expenses consist primarily of salaries, payroll taxes, benefits and related expenditures for sales and marketing.

*General and Administrative* – General and administrative expenses are the combined expenses of the operations, facilities, finance, human resources, legal and other administrative functions. The expenses associated with these functions consist primarily of salaries, payroll taxes, benefits, professional fees, and related expenditures for our overall management and administration.

*Stock-Based Compensation* – The Company accounts for its stock-based compensation expense based on the fair value of the stock-based awards that are ultimately expected to vest. The fair value of an employee stock option grant is estimated on the date of grant using the Black-Scholes option pricing model, and is recognized as expense on a straight-line basis over the employee’s requisite service period (generally the vesting period), net of estimated forfeitures. Forfeitures are estimated at the time of grant and revised in subsequent periods if actual forfeitures differ from the prior estimates.

The Company records the expense attributed to non-employee services paid with stock-based awards based on the estimated fair value of the awards determined using the Black-Scholes option pricing model. The measurement of stock-based compensation for non-employees is subject to re-measurement as the options vest, and the expense is recognized over the period during which services are received.

*Income Taxes* – The Company uses the liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. Financial statement effects of uncertain tax positions are recognized when it is more-likely-than-not, based on the technical merits of the position, that it will be sustained upon examination. Interest and penalties related to unrecognized tax benefits are included within the provision for income tax.

*Comprehensive Income (Loss)* – Comprehensive income (loss) is defined as a change in equity of a business enterprise during a period, resulting from transactions from non-owner sources. There have been no items qualifying as comprehensive income (loss) and, therefore, for all periods presented, the Company's comprehensive income (loss) was the same as its reported net income (loss).

*Earnings Per Share (EPS)* — Basic income (loss) per share is computed using the net income (loss) and the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is computed using the net income (loss) and the weighted average number of common shares and dilutive potential common shares outstanding during the period. Potential dilutive common shares include outstanding stock options and warrants. The dilutive effect of outstanding stock options and warrants is computed using the treasury stock method. For the three months ended March 31, 2023 and 2022, options aggregating 25,496,592 and 25,945,093 common share equivalents, respectively, prior to the application of the treasury stock method are not included in the calculation of diluted net income (loss) per share as they are anti-dilutive.

The following table sets forth the computation of basic and diluted net income or loss attributable to common stockholders:

<b>In thousands, except per share amounts</b>	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Numerator:		
Net income (loss) attributable to common Stockholders	\$ 134	\$ 122
Denominator:		
Weighted-average shares used to compute basic EPS	45,633	45,633
Effect of dilutive securities:		
Diluted common shares	17,061	23,283
Weighted-average shares used to compute diluted EPS	62,694	68,916
Net earnings per share:		
Basic	\$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ 0.00

## STOCK-BASED COMPENSATION

All options have been granted at one hundred percent (100%) of their estimated fair market value per share at the date of grant, as determined by our Board of Directors. All options issued under the 2007 Plan and the 2018 Stock Option Plan (“2018 Plan”) have a term of ten (10) years, and generally have a vesting schedule such that they vest ratably over four (4) years, twenty-five percent (25%) one (1) year after the grant date and the remainder at a rate of 1/36 per month thereafter.

### *Determining Fair Value*

*Valuation Method* — The Company estimates the fair value of stock options granted using the Black-Scholes option-pricing model and a single option award approach.

*Expected Term* — The expected term of our stock options has been determined utilizing the “simplified” method for awards that qualify as “plain vanilla” options. The expected term of stock options granted to non-employees is equal to the contractual term of the option award.

*Expected Volatility* — A volatility rate was used as an estimate of the expected future volatility of the Company’s common stock. The Company estimated the expected stock volatility based on the historical volatility of publicly traded peer companies for periods that are commensurate with the expected term (in years).

*Risk-Free Interest Rate* — The risk-free interest rate used in the Black-Scholes valuation method is based on the implied yield currently available on U.S. Treasury securities with an equivalent remaining term.

*Expected Dividend* — No dividends are expected to be paid.

*Estimated Forfeitures* — When estimating forfeitures, the Company considers voluntary termination behavior as well as analysis of actual option forfeitures.

The Company estimated the fair value of its stock options using the Black-Scholes option-pricing model, by using the following assumptions for the options granted during the three months ended March 31, 2023:

	<b>Stock Options</b>
Dividend yield	0%
Expected volatility	79%
Risk-free interest rate	0.04%
Estimated term	7 Years

	Shares Available for Grant	Options Outstanding	Weighted Average Exercise Price Per Share	Weighted Avg. Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in 000s)
Balance as of December 31, 2022	13,545,565	25,822,593	\$0.09	4.7	\$846
Granted	(24,000)	24,000	\$0.17		
Forfeited	350,000	(350,000)	\$0.28		
Exercised	-----	-----			
Balance as of March 31, 2023	<u>13,871,565</u>	<u>25,496,593</u>	<u>\$0.10</u>		<u>\$846</u>

The aggregate intrinsic value in the table above represents the difference between the exercise price of the underlying awards and the quoted price of our common stock for the options that were in-the-money as of March 31, 2023. As of March 31, 2023, total unrecognized compensation cost related to unvested stock options was approximately \$787,975. The cost is expected to be recognized over a weighted average period of 3.6 years.

## PROPERTY AND EQUIPMENT

Property, furniture, and equipment consisted of the following items:

(\$ in thousands)	March 31, 2023	December 31, 2022
Computer equipment	\$ 458	\$ 453
Software	1,212	1,212
Furniture and fixtures	36	36
Leasehold improvements	23	23
	<u>1,729</u>	<u>1,724</u>
Accumulated depreciation	<u>(1,689)</u>	<u>(1,681)</u>
Property, furniture and equipment, net	<u>\$ 40</u>	<u>\$ 43</u>

Depreciation expense was approximately \$7,000 and \$6,000 for the three months ended March 31, 2023 and 2022, respectively.

## Management's Discussion and Analysis of Financial Condition and Results of Operation

### Special Note Regarding Forward-Looking Statements

*This report contains forward-looking statements. All statements other than statements of historical fact contained in this document are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only current predictions and are subject to known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance, or achievements to be materially different from those anticipated by the forward-looking statements.*



*The following discussion and analysis should be read in conjunction with our financial statements and the notes to those statements included elsewhere in this quarterly report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements due to a number of factor.*

## **Overview**

LiveWorld is a digital agency specializing in social media and technology solutions that help companies spark emotional conversations, build stronger customer relationships, and drive behavior change. We live at the intersection of bold creative rooted in strategy that inspires, moderation that activates human interactions, and technology that enriches and scales customer experiences.

With over 25 years of making connections, our integrated team leverages our social media DNA to deliver emotion driven behavior change through digital campaigns with a human touch. LiveWorld clients include the number one brands in pharmaceuticals, healthcare, and financial-travel services. LiveWorld is headquartered in Campbell, California, with an additional office in New York City.

## **Total Revenues**

The Company recognizes revenues when the following criteria have been met: persuasive evidence of an arrangement exists, the fees are fixed or determinable, no obligations remain, and collection of the related receivable is reasonably assured.

Revenues from service development and community set-up activities are deferred and are recognized ratably over the related development and service portions of the contract. Revenues from on-line community hosting, on-line community management, moderation services, and consulting are recognized as the services are provided.

## **Cost of Revenues**

Cost of revenues is comprised of direct costs associated with the sales of our Strategy, Engagement, Moderation and Insight software and services to clients; the expenses associated with the development, set-up and operation of our services, including expenses associated with server costs for managing the software tools, license fees for our platform; and the cost of providing moderators and any strategic consulting services the client may request from us. These expenses consist of salaries, payroll taxes, benefits, and freelance creative services related expenditures for moderation, consulting, creative services, as well as, software license fees, cloud computing costs.

## **Operating Expenses**

*Product Development.* Product development expenses consist primarily of salaries, payroll taxes, benefits and related expenditures for technology, software development, project management and support personnel. Costs related to the development of new products and enhancements to existing products are charged to operations as incurred.

*Sales and Marketing.* Sales and marketing expenses consist primarily of salaries, payroll taxes, benefits and related expenditures for sales and marketing.

*General and Administrative.* General and administrative expenses are the consolidated expenses of the operations, facilities, finance, human resources, legal and other administrative functions. The expenses associated with these functions consist primarily of salaries, payroll taxes, benefits, professional fees, and related expenditures for our overall management and administration.

*Stock-Based Compensation.* Stock-based compensation expenses include amounts related to the grant of options and warrants to employees and non-employee service providers.

## Results From Operations

The following table sets forth our historical operating results as a percentage of total revenues for the periods indicated:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Total revenues	100%	100%
Cost of revenues	48	50
Gross Margin	52	50
Operating Expense		
Product development	9	8
Sales and marketing	16	16
General and administrative	22	20
Total operating expense	47	44
Income (loss) from operations	5%	5%

## Three Months Ended March 31, 2023 and 2022

### Total Revenues

Our revenues for the three months ended March 31, 2023 were approximately \$2.7 million, as compared to approximately \$2.5 million for the three months ended March 31, 2022. This was an increase of approximately \$297,000 or 12% period-over-period.

For the three months ended March 31, 2023, approximately 49% of our total revenues came from 24 separate brands within our top two clients, while approximately 51% of our total revenues came from 49 separate brands within twenty-five clients.

### Cost of Revenues

Cost of revenues were approximately \$1.3 million, or 48% of total revenues for the three months ended March 31, 2023, and \$1.2 million or 50% of total revenues for the three months ended March 31, 2022. This represented an increase of approximately \$78,000 or 6% period-over-period.

### Operating Expenses

*Product Development.* Expenditures for product development were approximately \$259,000, or 9% of total revenues for the three months ended March 31, 2023, and approximately \$202,000 or 8% of total revenues for the three months ended March 31, 2022. This represented an increase in absolute dollars of approximately \$57,000, or 29% period-over-period.

The majority of product development costs are personnel related. We are committed to our product development efforts and will continue to invest in product development programs. Such efforts may not result in additional new services and any new services may not generate sufficient revenues, if any, to offset expenses.

*Sales and Marketing.* Sales and marketing costs were approximately \$430,000, or 16% of total revenues for the three months ended March 31, 2023, and approximately \$401,000, or 16% for the three months ended March 31, 2022 representing an increase in absolute dollars of approximately \$29,000 or 7% period-over-period.

*General and Administrative.* General and administrative expenses were approximately \$608,000, or 22% of total revenues for the three months ended March 31, 2023, and approximately \$483,000, or 20% of total revenues for the three months ended March 31, 2022. This represented an increase in absolute dollars of approximately \$125,000, or 26% period-over-period.

### **Financial Condition, Liquidity and Capital Resources**

Our total assets were approximately \$7.4 million as of March 31, 2023, and approximately \$6.6 million as of December 31, 2022. This represented an increase of approximately \$796,000, or a 12% increase in total assets. Our cash and cash equivalents were approximately \$4.4 million as of March 31, 2023 which was an increase of approximately \$591,000 or 16% from the cash and cash equivalents balances of approximately \$3.8 million as of December 31, 2022.

Accounts receivable was approximately \$2.7 million as of March 31, 2023 which is an increase of approximately \$99,000, or 4% from the accounts receivable balance of approximately \$2.6 million as of December 31, 2022. Accounts receivable balances are expected to fluctuate with the levels of new client acquisition and enhancement activity and the timing of billings and collections.

For the three months ended March 31, 2023 we had positive cash flows of approximately \$591,000 while for the three months ended March 31, 2022 we had negative cash flows of approximately \$619,000.

In the future, we may strategically seek to take advantage of opportunities in the equity and capital markets to raise additional funds in order to take advantage of opportunities that may become available to us, including expansion of operating activities and acquisition of businesses, products or technologies, or otherwise to respond to competitive pressures. Capital scenarios may include but are not limited to public stock issuance, private investment rounds, merger or acquisition and/or privatization. There can be no assurance that we will be able to raise additional capital on favorable terms or at all.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt. Additionally, we are not a party to any derivative contracts or synthetic leases.

## 10) Issuer Certification

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Peter H. Friedman certify that:

1. I have reviewed this Disclosure Statement for LiveWorld, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May11, 2023

"/s/ Peter H. Friedman"

*Principal Financial Officer:*

I, David S. Houston certify that:

1. I have reviewed this Disclosure Statement for LiveWorld, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

May 11, 2023

"/s/ David S. Houston"