

Risk Factors Comparison 2025-03-31 to 2024-03-27 Form: 10-K

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

Fluctuations in the price, availability and quality of inventory have and may continue to result in higher cost of goods, which the Company may not be able to pass on to its customers. The price and availability of raw materials may be impacted by demand, regulation, ~~tariffs~~, weather and crop yields, currency value fluctuations, inflation, as well as other factors. Additionally, manufacturers have and may continue to have increases in other manufacturing costs, such as transportation, labor and benefit costs. These increases in production costs may result in higher merchandise costs to the Company. Due to the Company's limited flexibility in price point, the Company may not be able to pass on those cost increases to the consumer, which could have a material adverse effect on our margins, results of operations and financial condition.

~~13 Adverse~~ **Adverse** developments affecting the financial services industry or events or concerns involving liquidity, defaults or non-performance by financial institutions or transactional counterparties could adversely affect our business, financial condition or results of operations. Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to sporadic or market-wide liquidity problems that could adversely affect us. If any of our transactional counterparties, such as our merchandise vendors and their factors, our landlords, our payment processors including credit card, gift card and checks, our transportation vendors and other vendors that provide services and supplies to us, are unable to access funds or lending arrangements with such a financial institution, such parties' ability to pay their obligations could be adversely affected. If this occurred we could be adversely impacted by not receiving the product we ordered or the payments generated by our sales, by not being able to receive products to our distribution center or our stores in a timely manner or at all, or by not being able to retain services from third parties that we require. These impacts may adversely affect our financial condition, results of operations and our ability to execute our business strategy. Furthermore, these adverse developments affecting the financial services **industry** or related perceptions may negatively impact our customers' discretionary income or our customers' willingness to purchase apparel, shoes or jewelry products. Any reduction in our customers' discretionary spending on our products could erode our sales volume and adversely affect our results of operations and financial condition. ~~Extreme weather, natural disasters, impacts of climate change, public health threats or similar events have and may continue to adversely affect our sales or operations from time to time. Extreme changes in weather, natural disasters, physical impacts of climate change, public health threats or similar events can influence customer trends and shopping habits. For example, heavy rainfall or other extreme weather conditions, including but not limited to winter weather over a prolonged period, might make it difficult for our customers to travel to our stores and thereby reduce our sales and profitability. Our business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season can render a portion of our inventory incompatible with those unseasonable conditions. Reduced sales from extreme or prolonged unseasonable weather conditions would adversely affect our business. The~~ **competitive hiring** occurrence or threat of extreme weather, natural disasters, power outages, terrorist acts, outbreaks of flu or other communicable diseases (such as COVID-19) or other catastrophic events could reduce customer traffic in our stores and likewise disrupt our ability to conduct operations, which would materially and adversely affect us. The long-term impacts of global climate change are expected to be unpredictable and widespread. The potential impacts of climate change present a variety of potential risks. The physical effects of climate change such as extreme weather and drought could adversely affect our results of operations, including disrupting our supply chain, the costs of our products and negatively impacting our workforce. In addition, the potential impacts of climate change present transition risks including regulatory and reputational risks. The potential cost of compliance with any future regulations may substantially increase our costs. For example, the use of certain commodities in the manufacture of our products and energy we use in our operations may face increased regulation due to climate change or other environmental ~~environmental~~ **environment and** concerns, which could increase our costs. Furthermore, any failure of or perceived failure by us to comply with any potential future climate change regulatory requirements including stakeholder expectations regarding the environment, could adversely affect our reputation and results of operations. Our ability to attract consumers and grow our revenues is dependent on the success of our store location strategy and our ability to successfully open new stores as planned. ¹⁴ Our sales are dependent in part on the location of our stores in shopping centers and malls where we believe our consumers and potential consumers shop. In addition, our ability to grow our revenues has been substantially dependent on our ability to secure space for and open new stores in attractive locations. Shopping centers and malls where we currently operate existing stores or seek to open new stores have been and may continue to be adversely affected by, among other things, general economic downturns or those particularly affecting the commercial real estate industry, the closing of anchor stores, changes in tenant mix and changes in customer shopping preferences, including but not limited to an increase in preference for online versus in-person shopping. To take advantage of consumer traffic and the shopping preferences of our consumers, we need to maintain and acquire stores in desirable locations where competition for suitable store locations is intense. A decline in customer popularity of the strip shopping centers where we generally locate our stores or in availability of space in desirable centers and locations, or an increase in the cost of such desired space, has limited and could further limit our ability to open new stores, adversely affecting consumer traffic and reducing our sales and net earnings or increasing our operating costs. Our ability to open and operate new stores depends on many factors, some of which are beyond our control. These factors include, but are not limited to, our ability to identify suitable

store locations, negotiate acceptable lease terms, secure necessary governmental permits and approvals and hire and train appropriate store personnel. In addition, our continued expansion into new regions of the country where we have not done business before may present new challenges in competition, distribution and merchandising as we enter these new markets. Our failure to successfully and timely execute our plans for opening new stores or the failure of these stores to perform up to our expectations could adversely affect our business, results of operations and financial condition. If we are unable to anticipate, identify and respond to rapidly changing fashion trends and customer demands in a timely manner, our business and results of operations could materially suffer. Customer tastes and fashion trends, particularly for women's apparel, are volatile, tend to change rapidly and cannot be predicted with certainty. Our success depends in part upon our ability to consistently anticipate, design and respond to changing merchandise trends and consumer preferences in a timely manner. Accordingly, any failure by us to anticipate, identify, design and respond to changing fashion trends could adversely affect consumer acceptance of our merchandise, which in turn could adversely affect our business, results of operations and our image with our customers. If we miscalculate either the market for our merchandise or our customers' tastes or purchasing habits, we may be required to sell a significant amount of inventory at below-average markups over cost, or below cost, which would adversely affect our margins and results of operations. The inability of third-party vendors to produce goods on time and to the Company's specification may adversely affect the Company's business, results of operations and financial condition. Our dependence on third-party vendors to manufacture and supply our merchandise subjects us to numerous risks that our vendors will fail to perform as we expect. For example, the deterioration in any of our key vendors' financial condition, their failure to ship merchandise in a timely manner that meets our specifications, or other failures to follow our vendor guidelines or comply with applicable laws and regulations, including compliant labor, environmental practices and product safety, could expose us to operational, quality, competitive, reputational and legal risks. If we are not able to timely or adequately replace the merchandise we currently source with merchandise produced elsewhere, or if our vendors fail to perform as we expect, our business, results of operations and financial condition could be adversely affected. Activities conducted by us or on our behalf outside the United States further subject us to numerous U. S. and international regulations and compliance risks, as discussed below under "Risk Factors – Risks Relating to Accounting and Legal Matters. Our business operations subject us to legal compliance and litigation risks, as well as regulations and regulatory enforcement priorities, which could result in increased costs or liabilities, divert our management's attention or otherwise adversely affect our business, results of operations and financial condition." Existing and increased competition in the women's retail apparel industry may negatively impact our business, results of operations, financial condition and market share. The women's retail apparel industry is highly competitive. We compete primarily with discount stores, mass merchandisers, department stores, off-price retailers, specialty stores and internet-based retailers, many of which have substantially greater financial, marketing and other resources than we have. Many of our competitors offer frequent promotions and reduce their selling prices. In some cases, our competitors are expanding into markets in which we have a significant market presence. In addition, our competitors also compete for the same retail store space. As a result of this competition, we may experience pricing pressures, increased marketing expenditures, increased costs to open new stores, as well as loss of market share, which could materially and adversely affect our business, results of operations and financial condition. Our inability to effectively manage inventory has impacted and may continue to negatively impact our gross margin and our overall results of operations. Factors affecting sales include fashion trends, customer preferences, calendar and holiday shifts, competition, weather, supply chain issues, actual or potential public health threats and economic conditions, including but not limited to continued high interest rates and persistent inflation. In addition, merchandise must be ordered well in advance of the applicable selling season and before trends are confirmed by sales. If we are not able to accurately predict customers' preferences for our fashion items, we may have too much inventory, which may cause excessive markdowns. If we are unable to accurately predict demand for our merchandise, we may end up with inventory shortages, resulting in missed sales. Our inability to effectively manage inventory may adversely affect our gross margin and results of operations. Failure to attract, train, and retain skilled personnel **has and could continue to** adversely affect our business and our financial condition. Like most retailers, we experience significant associate turnover rates, particularly among store sales associates and managers. Moreover, attracting and retaining skilled personnel has **become increasingly been and could continue to be** challenging **in the tight labor market that has persisted since the onset of the COVID-19 pandemic**. To offset this turnover as well as support new store growth, we must continually attract, hire and train new store associates to meet our staffing needs. A significant increase in **the 16th** turnover rate among our store sales associates and managers would increase our recruiting and training costs, as well as possibly cause a decrease in our store operating efficiency and productivity. We compete for qualified store associates, as well as experienced management personnel, with other companies in our industry or other industries, many of whom have greater financial resources than we do. In addition, we depend on key management personnel to oversee the operational divisions of the Company for the support of our existing business and future expansion. The success of executing our business strategy depends in large part on retaining key management. We compete for key management personnel with other retailers, and our inability to attract and retain qualified personnel could limit our ability to **continue to** grow. If we are unable to retain our key management and store associates or attract, train, or retain other skilled personnel in the future, we may not be able to service our customers effectively or execute our business strategy, which could adversely affect our business, operating results and financial condition. **16**The currently competitive environment for hiring new associates and retaining existing associates is causing wages to increase, which has affected and could continue to adversely affect our business, margins, operating results and financial condition if we cannot offset these cost increases. **Fluctuations in the price, availability....., results of operations and financial condition**. If the Company is unable to successfully integrate new businesses into its existing business, the Company's financial condition and results of operations will be adversely affected. The Company's long-term business strategy includes opportunistic growth through the development of new store concepts. This growth may require significant capital expenditures and management attention. The Company may not realize any of the anticipated benefits of a new business and integration costs

may exceed anticipated amounts. We have incurred substantial financial commitments and fixed costs related to our retail stores that we will not be able to recover if our stores are not successful and that have resulted in and could result in future impairment charges. If we cannot successfully execute our growth strategies, our financial condition and results of operations may be adversely impacted. Risks Relating to Our Information Technology, Related Systems and Cybersecurity: A failure or disruption relating to our information technology systems could adversely affect our business. We rely on our existing information technology systems for merchandise operations, including merchandise planning, replenishment, pricing, ordering, markdowns and product life cycle management. In addition to merchandise operations, we utilize our information technology systems for our distribution processes, as well as our financial systems, including accounts payable, general ledger, accounts receivable, sales, banking, inventory and fixed assets. Despite the precautions we take, our information systems are or may be vulnerable to disruption or failure from numerous events, including but not limited to, natural disasters, severe weather conditions, power outages, technical malfunctions, cyberattacks, acts of war or terrorism, similar catastrophic events or other causes beyond our control or that we fail to anticipate. Any disruption or failure in the operation of our information technology systems, our failure to continue to upgrade or improve such systems, or the cost associated with maintaining, repairing or improving these systems, could adversely affect our business, results of operations and financial condition. Modifications and / or upgrades to our current information technology systems may also disrupt our operations. ~~A~~^{17A} security breach that results in unauthorized access to or disclosure of employee, Company or customer information or a ransomware attack could adversely affect our costs, reputation and results of operations, and efforts to mitigate these risks may continue to increase our costs. The protection of employee, Company and customer data is critical to the Company. Any security breach, mishandling, human or programming error or other event that results in the misappropriation, loss or other unauthorized disclosure of employee, Company or customer information, including but not limited to credit card data or other personally identifiable information, could severely damage the ~~17~~^{Company} ~~Company~~'s reputation, expose it to remediation and other costs and the risks of legal proceedings, disrupt its operations and otherwise adversely affect the Company's business and financial condition. The security of certain of this information also depends on the ability of third- party service providers, such as those we use to process credit and debit card payments as described below under " We are subject to payment- related risks, " to properly handle and protect such information. Our information systems and those of our third- party service providers are subject to ongoing and persistent cybersecurity threats from those seeking unauthorized access through means which are continually evolving and may be difficult to anticipate or detect for long periods of time. Despite measures the Company takes to protect confidential information against unauthorized access or disclosure, which measures are ongoing and may continue to increase our costs, there is no assurance that such measures will prevent the compromise of such information. If our measures are unsuccessful due to cyberattacks or otherwise, it could have a material adverse effect on the Company's reputation, business, operating results, financial condition and cash flows. In addition, the Company may be subject to ransomware attacks, which if successful could result in disruptions to the Company's operations and expose it to remediation and other costs, risks of legal proceedings, damage the Company's reputation and otherwise adversely affect the Company's business and financial condition. A disruption or shutdown of our centralized distribution center or transportation network could materially and adversely affect our business and results of operations. The distribution of our products is centralized in one distribution center in Charlotte, North Carolina and distributed through our network of third- party freight carriers. The merchandise we purchase is shipped directly to our distribution center, where it is prepared for shipment to the appropriate stores and subsequently delivered to the stores by our third- party freight carriers. If the distribution center or our third- party freight carriers were to be shut down or lose significant capacity for any reason, including but not limited to, any of the causes described above under " A failure or disruption relating to our information technology systems could adversely affect our business, " our operations would likely be seriously disrupted. Such problems could occur as the result of any loss, destruction or impairment of our ability to use our distribution center, as well as any broader problem generally affecting the ability to ship goods into our distribution center or deliver goods to our stores. As a result, we could incur significantly higher costs and longer lead times associated with distributing our products to our stores during the time it takes for us to reopen or replace the distribution center and / or our transportation network. Any such occurrence could adversely affect our business, results of operations and financial condition. The Company's failure to successfully operate its e- commerce websites or fulfill customer expectations could adversely impact customer satisfaction, our reputation and our business. Although the Company's e- commerce platform provides another channel to drive incremental sales, ~~provide~~^{provides} existing customers the online shopping experience and ~~introduce~~^{introduces} the Company to a new customer base, it also exposes us to numerous risks. We are subject to potential failures in the efficient and uninterrupted operation of our websites, customer contact center or our distribution center, including system failures caused by telecommunication system providers, order volumes that exceed our present system capabilities, electrical outages, mechanical problems and human error. Our e- commerce platform may also expose us to greater potential for security or data breaches involving the unauthorized access to or disclosure of customer information, as discussed above under " A security breach that results in ~~unauthorized~~^{18unauthorized} access to or disclosure of employee, Company or customer information or a ransomware attack could adversely affect our costs, reputation and results of operations, and efforts to mitigate these risks may continue to increase our costs. " We are also subject to risk related to delays or failures in the performance of third parties, such as shipping companies, including delays associated with labor strikes or slowdowns or adverse weather conditions. If the Company does not successfully meet the challenges of operating e- commerce websites or fulfilling customer expectations, the Company's business and sales could be adversely affected. ~~18~~^{We} ~~We~~ are subject to payment- related risks. We accept payments using a variety of methods, including third- party credit cards, our own branded credit card, debit cards, gift cards and physical and electronic bank checks. For existing and future payment methods we offer to our customers, we are subject to fraud risk and to additional regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in increased costs and reduce the ease of use of certain payment methods). For certain payment methods,

including credit and debit cards, we pay interchange and other fees, which have increased from time to time and may continue to increase over time, raising our operating costs and lowering profitability. We rely on third-party service providers for payment processing services, including the processing of credit and debit cards. In each case, it could disrupt our business if these third-party service providers become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card-issuing banks' costs, ~~and~~ subject to fines and higher transaction fees. In addition, we may lose our ability to accept credit and debit card payments from our customers and process electronic funds transfers or facilitate other types of payments, and our business and operating results could be adversely affected.

Risks Relating to Accounting and Legal Matters: **Continued scrutiny and changing expectations surrounding environmental..... of our performance and financial condition.** If we fail to protect our trademarks and other intellectual property rights or infringe the intellectual property rights of others, our business, brand image, growth strategy, results of operations and financial condition could be adversely affected. ~~19~~We believe that our "Cato", "It's Fashion", "It's Fashion Metro", "Versona", "Cache" and "Body Central" trademarks are integral to our store designs, brand recognition and our ability to successfully build consumer loyalty. Although we have registered these trademarks with the U. S. Patent and Trademark Office ("PTO") and have also registered, or applied for registration of, additional trademarks with the PTO that we believe are important to our business, we cannot give assurance that these registrations will prevent imitation of our trademarks, merchandising concepts, store designs or private label merchandise or the infringement of our other intellectual property rights by others. Infringement of our names, concepts, store designs or merchandise generally, or particularly in a manner that projects lesser quality or carries a negative connotation of our image could adversely affect our business, financial condition and results of operations. ~~In addition, we cannot give assurance.~~ **The Company is from time to time subject to claims that its products, processes, advertising, or trademarks infringe the intellectual property rights of others will. The defense of these claims, even if ultimately successful, may result in costly litigation, and if the Company is not successful in its defense** ~~try to block the manufacture or sale of our private label merchandise by claiming that our merchandise violates their trademarks or other proprietary rights. In the event of such a conflict, we it~~ could be subject to lawsuits **injunctions and liability or for damages** ~~other actions, the ultimate resolution of which we cannot predict; however, such a controversy could adversely affect our~~ ~~or business~~ **royalty obligations, and the Company's sales, profitability, cash flows**, financial condition and ~~results of operations~~ **reputation could be adversely affected.** ~~Our~~ ~~19~~**Our** business operations subject us to legal compliance and litigation risks, as well as regulations and regulatory enforcement priorities, which could result in increased costs or liabilities, divert our management's attention or otherwise adversely affect our business, results of operations and financial condition. Our operations are subject to federal, state and local laws, rules and regulations, as well as U. S. and foreign laws and regulations relating to our activities in foreign countries from which we source our merchandise and operate our sourcing offices. Our business is also subject to regulatory and litigation risk in all of these jurisdictions, including foreign jurisdictions that may lack well-established or reliable legal systems for resolving legal disputes. Compliance risks and litigation claims have arisen and may continue to arise in the ordinary course of our business and include, among other issues, intellectual property issues, employment issues, commercial disputes, product-oriented matters, tax, customer relations and personal injury claims. International activities subject us to numerous U. S. and international regulations, including but not limited to, restrictions on trade, license and permit requirements, import and export license requirements, privacy and data protection laws, environmental laws, records and information management regulations, tariffs and taxes and anti-corruption laws, ~~such as the Foreign Corrupt Practices Act,~~ violations of which by employees or persons acting on the Company's behalf may result in significant investigation costs, severe criminal or civil sanctions and reputational harm. These and other liabilities to which we may be subject could negatively affect our business, operating results and financial condition. These matters frequently raise complex factual and legal issues, which are subject to risks and uncertainties and could divert significant management time. The Company may also be subject to regulatory ~~review~~ **reviews** and audits, the results of which could materially and adversely affect our business, results of operations and financial condition. In addition, governing laws, rules and regulations, and interpretations of existing laws are subject to change from time to time. Compliance and litigation matters could result in unexpected expenses and liability, as well as have an adverse effect on our operations and our reputation. New legislation or regulation and interpretation of existing laws and regulations, including those related to data privacy, ~~climate change or ESG sustainability~~ **climate change or ESG sustainability** matters, could increase our costs of compliance, technology and business operations. The interpretation of existing or new laws to existing **and evolving** technology and business practices can be uncertain and may lead to additional compliance risk and cost. Adverse litigation matters may adversely affect our business and our financial condition. From time to time the Company is involved in litigation and other claims against our business. Primarily these arise in the normal course of business but are subject to risks and uncertainties, and could ~~20~~~~require~~ **require** significant management time. The Company's periodic evaluation of litigation-related matters may change our assessment in light of the discovery of facts with respect to legal actions pending against us, not presently known to us or by determination of judges, juries or other finders of fact. We may also be subjected to legal matters not yet known to us. Adverse decisions or settlements of disputes may negatively impact our business, reputation **and financial condition.** **Continued scrutiny and changing expectations surrounding sustainability matters from investors,** customers, government regulators and other stakeholders may impose additional reporting requirements, additional costs and compliance risks. Public companies from across all industries ~~are facing~~ **increasing have and may continue to face** scrutiny from investors, customers, ~~government~~ regulators and other stakeholders concerning **ESG sustainability** matters. In the U.S., there ~~are~~ **have been** various new rules or proposals for new or enhanced disclosure requirements regarding climate emissions, sustainability, workforce **diversity composition** and **related** ~~other human capital resources~~ metrics, among other topics. Complying with these complex reporting obligations or expectations ~~may~~ **could**

increase our costs associated with compliance, disclosure and reporting. Furthermore, evolving ESG laws, regulations and or stakeholder expectations may result in uncertain and, potentially burdensome reporting requirements as stakeholders, agencies and changing reporting requirements or expectations, and 20 and government authorities adjust their expectations or our change laws and regulations, such as the new rules regarding climate emissions reporting and auditing requirements. Failure failure to comply with such all of the new rules and regulations and proposed regulatory requirements or expectations in a timely manner may adversely affect our reputation, business and or financial performance. Changes to accounting rules and regulations may adversely affect our reported results of operations and financial condition. Changes to U.S. Generally Accepted Accounting Principles and SEC accounting, disclosures disclosure and reporting changes rules are common and have become more frequent and significant in the past several years. Changes in accounting rules, disclosures or regulations and varying interpretations of existing accounting rules, disclosures and regulations have significantly affected our reported financial statements and those of other participants in the retail industry in the past and may continue to do so in the future. Future changes to accounting rules, disclosures or regulations may adversely affect our reported results of operations and financial position or perceptions of our performance and financial condition. Maintaining and improving our internal control over financial reporting and other requirements necessary to operate as a public company may strain our resources, and any material failure in these controls may negatively impact our business, the price of our common stock and market confidence in our reported financial information. As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes- Oxley Act of 2002, the rules of the SEC and New York Stock Exchange and certain aspects of the Dodd- Frank Wall Street Reform and Consumer Protection Act (the “ Dodd- Frank Act ”) and related rule- making that has been and may continue to be implemented over the next several years under the mandates of the Dodd- Frank Act. The requirements of these rules and regulations have increased, and may continue to increase, our compliance costs and place significant strain on our personnel, systems and resources. To satisfy the SEC’ s rules implementing the requirements of Section 404 of the Sarbanes- Oxley Act of 2002, we must continue to document, test, monitor and enhance our internal control over financial reporting, which is a costly and time- consuming effort that must be re- evaluated frequently. We cannot give assurance that our disclosure controls and procedures and our internal control over financial reporting, as defined by applicable SEC rules, will be adequate in the future. Any failure to maintain the effectiveness of internal control over financial reporting or to comply with the other various laws and regulations to which we are and will continue to be subject, or to which we may become subject in the future, as a public company could have an adverse material impact on our business, our financial condition and the price of our common stock. In addition, our efforts to comply with these existing and new requirements could significantly increase our compliance costs. Changes in tax and accounting laws and the mix and level of earnings in any of the jurisdictions in which we operate and the outcome of tax audits can cause fluctuations in our overall tax rate, which impact our reported earnings. We are subject to income taxes in the United States and numerous domestic states, as well as foreign jurisdictions. In addition, our products are subject to import and excise duties and / or sales, consumption or value- added taxes in many jurisdictions. Significant judgment is required to determine and estimate tax liabilities, and there are many transactions and calculations where the ultimate tax termination is uncertain. We record tax expense based on our estimates of future payments, which include reserves for estimates of probable settlements of domestic and foreign tax audits. At any one time, many tax years are subject to audit by various taxing jurisdictions. Adverse determinations in these audits may have an adverse effect on our reported financial results in the period such determinations are made, as well as in future periods. In addition, our effective tax rate may be materially impacted by changes in tax rates and duties, the mix and level of earnings or losses by taxing jurisdictions, or by changes to existing accounting rules or regulations. As a result, we expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated. Changes to foreign or domestic tax and accounting laws and regulations, the outcome of tax audits and changes in the mix and 21 level of earnings by jurisdictions could have a material impact on our effective tax rate, financial condition, results of operations or cash flows.

Risks Relating to Our Investments and Liquidity: We may experience market conditions or other events that could adversely impact the valuation and liquidity of, and our ability to access, our short- term investments, cash and cash equivalents and our revolving line of credit. Our short- term investments and cash equivalents are primarily comprised of investments in federal, state, municipal and corporate debt securities. The value of those securities may be adversely impacted by factors relating to these securities, similar securities or the broader credit markets in general. Many of these factors are beyond our control, and include but are not limited to changes to credit ratings, rates of default, collateral value, discount rates, and strength and quality of market credit and liquidity, potential disruptions in the capital markets and changes in the underlying economic, financial and other conditions that drive these factors. As federal, state and municipal entities struggle with declining tax revenues and budget deficits, we cannot be assured of our ability to timely access these investments if the market for these issues declines. Similarly, the default by issuers of the debt securities we hold or similar securities could impair the value or liquidity of our investments. The development or persistence of any of these conditions could adversely affect our financial condition, results of operations and ability to execute our business strategy. In addition, we have significant amounts of cash and cash equivalents at financial institutions that are in excess of the federally insured limits. An economic downturn or development of adverse conditions affecting the financial sector and stability of financial institutions could cause us to experience losses on our deposits. Our ability to access credit markets and our revolving line of credit, either generally or on favorable market terms, may be impacted by the factors discussed in the preceding paragraph, as well as continued compliance with covenants under our revolving credit agreement. The development or persistence of any 21 of of these adverse factors or failure to comply with covenants on which our borrowing is conditioned may adversely affect our financial condition, results of operations and our ability to access our revolving line of credit and to execute our business strategy. The terms of our asset- based revolving credit facility (“ ABL Facility ”) restrict our operations and financial flexibility, which could adversely affect our ability to respond to changes in our business

and to manage our operations. We are subject to the borrowing terms of our ABL Facility, which is limited by a borrowing base consisting of certain eligible accounts receivable and eligible inventory, reduced by specified reserves, as follows: • 90 % of eligible credit card receivables, plus • 90 % of the net recovery percentage of eligible inventory multiplied by the most recent appraised value of such inventory, calculated at the lower of (a) cost computed on a first-in first-out basis or (b) market value (net of intercompany profits and certain other adjustments), minus • applicable reserves. In addition, the ABL Facility prohibits minimum excess availability at any time to be less than the greater of (i) 10 % of the loan cap (defined as the lesser of (A) the borrowing base at such time and (B) \$ 35 million (as of the date hereof)) and (ii) \$ 5 million. In addition, the covenants under our ABL Facility include restrictions that, among other things, limit our ability to incur additional indebtedness, create liens on assets, make investments, loans or advances, engage in mergers, consolidations, sell assets, make acquisitions, pay dividends and make other restricted payments, and enter in to transactions with affiliates. A failure by us to comply with these covenants could result in an event of default, which could adversely affect our ability to respond to changes in our business and manage our operations. Upon the occurrence of an event of default, the lenders could elect to declare all amounts outstanding to be immediately due and payable and exercise other remedies as set forth under our ABL Facility, including without limitation foreclosing on the collateral pledged to such lenders. If the indebtedness under our ABL Facility was to be accelerated, our future financial condition could be materially adversely affected.

Risks Relating to the Market Value of Our Common Stock: Our operating results are subject to seasonal influence the direction of the Company and otherwise quarterly fluctuations, which could adversely affect our corporate governance and the market price of our common stock. As of March 27, 2024, John P. D. Cato, Chairman, President and Chief Executive Officer, beneficially owned approximately 51.9% of the retail apparel industry combined voting power of our common stock. As a result, Mr. Cato has the ability to substantially influence or determine the outcome of our annual net sales all matters requiring approval by the shareholders, including the election of directors and profitability in the first approval of mergers and second quarters of our fiscal year compared to other business combinations quarters. Accordingly, or our other significant Company transactions. Mr. Cato may have interests that differ operating results for any one fiscal period are not necessarily indicative of results to be expected from any future period those of other shareholders, and such seasonal and quarterly fluctuations may vote in a way with which other shareholders disagree or perceive as adverse to their interests. The concentration of voting power held by Mr. Cato could discourage potential investors from acquiring adversely affect the market price of our common stock and could also have the effect of preventing, discouraging or deferring a change in control of the Company or other fundamental transaction, all of which could depress the market price of our common stock. In addition, Mr. Cato has the ability to control the management of the Company as a result of his position as Chief Executive Officer. We cannot provide qualify for exemption as a “controlled company” from compliance with certain New York Stock Exchange corporate governance rules, including the requirements that we have a majority of independent directors on our Board, an independent compensation committee and an independent corporate governance and nominating committee. If we elected to utilize these “controlled company” exceptions, our other shareholders could lose the benefit of these corporate governance requirements and the market value of our common stock could be adversely affected. There can be no assurance that we will choose to declare pay dividends, or that if paid, any dividend payments will be consistent with historical levels able to declare cash dividends in the future. The declaration and payment of any dividend is subject to the approval of our Board of Directors. Our Board of Directors regularly evaluates our ability to pay a dividend based on many factors, such as but not limited to, applicable legal requirements, the financial position of the Company, contractual restrictions and our capital allocation strategy. Our Board of Directors most recently suspended the payment of quarterly dividends in November 2024 and may continue to suspend the payment of dividends if it deems such an action to be in the best interests of the Company and its shareholders.

There can be no assurance that a cash dividend will be declared in the future in any particular amount, or at all. Our operating results are subject to seasonal and quarterly fluctuations, which could adversely affect the market price of our common stock. Our business varies with general seasonal trends that are characteristic of the retail apparel industry. As a result, our stores typically generate a higher percentage of our annual net sales and profitability in the first and second quarters of our fiscal year compared to other quarters. Accordingly, our operating results for any one fiscal period are not necessarily indicative of results to be expected from any future period, and such seasonal and quarterly fluctuations could adversely affect the market price of our common stock. Conditions in the stock market generally, or particularly relating to our industry, Company or common stock, may materially and adversely affect the market price of our common stock and make its trading price more volatile. The trading price of our common stock at times has been, and is likely to continue to be, subject to significant volatility. A variety of factors may cause the price of our common stock to fluctuate, perhaps substantially, including, but not limited to, those discussed elsewhere in this report, as well as the following: low trading volume; general market fluctuations resulting from factors not directly related to our operations or the inherent value of our common stock; announcements of developments related to our business; fluctuations in our reported operating results; general conditions or trends affecting or perceived to affect the fashion and retail industry; conditions or trends affecting or perceived to affect the domestic or global economy or the domestic or global credit or capital markets; changes in financial estimates or the scope of coverage given to our Company by securities analysts; negative commentary regarding our Company and corresponding short-selling market behavior; adverse customer relations developments; significant changes in our senior management team; and legal proceedings. Over the past several years the stock market in general, and the market for shares of equity securities of many retailers in particular, have experienced extreme price fluctuations that have at times been unrelated to the operating performance of those companies. Such fluctuations and market volatility based on these or other factors may materially and adversely affect

the market price of our common stock. Further, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation, should it materialize, could result in substantial costs and divert our management' s attention