Risk Factors Comparison 2023-06-26 to 2022-06-08 Form: 10-K

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The following risk factors as well as the other information contained in this Annual Report and other filings made by the Company with the SEC should be considered in evaluating the Company' s business. Additional risks and uncertainties that are not presently known or that are not currently considered material may also impair the Company' s business operations. If any of the following risks actually occur, then operating results may be affected in future periods. Risks Associated with the Company, Business and Industry The ~~COVID~~ **loss** of one or more of the Company' s key customers could result in a material loss of revenues.The Company' s top two customers represented approximately ~~73~~ **71** % of gross sales in fiscal year ~~2022~~ **2023** .Although the Company does not enter into contracts with its key customers,it expects its key customers to continue to be a significant portion of its gross sales in the future.The loss of,or a decline in orders from,one or more of these customers could result in a material decrease in the Company' s revenue and operating income.The loss of one or more of the Company' s licenses could result in a material loss of revenues.Sales of licensed products represented 40 % of the Company' s gross sales in fiscal year ~~2022~~ **2023** ,which included ~~33~~ **29** % of sales associated with the Company' s license agreements with Disney.The Company could experience a material loss of revenues if it is unable to renew its major license agreements or obtain new licenses.The volume of sales of licensed products is inherently tied to the success of the characters,films and other licensed programs of the Company' s licensors.A decline in the popularity of these licensed programs or the inability of the licensors to develop new properties for licensing could also result in a material loss of revenues to the Company.Additionally,the Company' s license agreements with Disney and others require a material amount of minimum guaranteed royalty payments.The failure by the Company to achieve the sales envisioned by the license agreements could result in the payment by the Company of shortfalls in the minimum guaranteed royalty payments,which would adversely impact the Company' s operating results.The Company' s inability to anticipate and respond to consumers' tastes and preferences could adversely affect the Company' s revenues.Sales are driven by consumer demand for the Company' s products.There can be no assurance that the demand for the Company' s products will not decline or that the Company will be able to anticipate and respond to changes in demand related to consumers' tastes and preferences.The infant and toddler consumer products industry is characterized by the continual development of cutting ~~-~~ - ~~19 pandemic s revenues.Sales are driven by consumer demand for the Company' s products.There can be no assurance that the demand for the Company' s products will not decline or that the Company will be able to anticipate and respond to changes in demand related to consumers' tastes and preferences.The infant and toddler consumer products industry is characterized by the continual development of cutting-~~ edge new products to meet the high standards of parents.The Company' s failure to adapt to these changes or to develop new products could lead to lower sales and excess inventory,which could have a material adverse effect on the Company' s financial condition and operating results.The Company' s business is impacted by general economic conditions and related uncertainties,including a declining birthrate,affecting markets in which the Company operates.The Company' s growth is largely **influenced by** ~~dependent upon growth in~~ the birthrate,and in particular,the rate of first births.Economic conditions,including the real and perceived threat of a recession,could lead individuals to decide to forgo or delay having children.Even under optimal economic conditions,shifts in demographic trends and preferences could have the consequence of individuals starting to have children later in life and / or having fewer children.In recent years,the birthrate in the United States has steadily declined.These conditions could result in reduced demand for some of the Company' s products,increased order cancellations and returns,an increased risk of excess and obsolete inventories and increased pressure on the prices of the Company' s products.Also,although the Company' s use of a commercial factor significantly reduces the risk associated with collecting accounts receivable,such factor may at any time terminate or limit its approval of shipments to a particular customer **.The bankruptcy of a customer** , **the perceived pending threat of a bankruptcy of a customer,or** ~~and~~ - **an adverse change in overall economic conditions are among the events that would increase** the likelihood ~~of such~~ **that the** factor ~~doing so may increase due~~ **would terminate or limit its approval of shipments** to **customers** ~~a change in economic conditions~~ .Such an action by the factor could result in the loss of future sales to ~~the~~ **such** affected ~~customer~~ **customers** .Economic conditions could result in an increase in the amounts paid for the Company' s products.Significant increases in freight costs and the price of raw materials that are components of the Company' s products,including cotton,oil and labor, **could adversely affect the amounts that the Company must pay its suppliers for its finished goods.If the Company is unable to pass these cost increases along to its customers,its profitability could be adversely affected.Widespread outbreaks of contagious disease** may adversely affect the Company' s business operations, employee availability, financial condition, liquidity and cash flow. **Significant outbreaks** ~~Due to the uncertainty as to the duration and widespread nature~~ of **contagious diseases could** ~~the COVID- 19 pandemic, the effectiveness of the vaccines on COVID- 19 and variants thereof, and the extent to which the vaccines will be administered, the Company cannot currently predict the long- term impact of the COVID- 19 pandemic on its operations and financial results. The uncertainties associated with the COVID- 19 pandemic~~ have ~~included~~ adverse effects on the overall economy **and** ~~, the~~ impact ~~on~~ the Company' s supply chain, manufacturing and distribution operations, transportation services, customers and employees, as well as consumer sentiment in general and traffic within the retail stores that carry the Company' s products. ~~The~~ **A pandemic could adversely affect the Company' s revenues, earnings, liquidity and cash flows and require significant actions in response, including employee furloughs, closings of Company facilities, expense reductions or discounts of the pricing of the Company' s products, all in an effort to mitigate such effects. During fiscal years 2022 and 2021, the** COVID- 19 pandemic ~~has~~ led global government authorities to implement numerous public health measures, including quarantines, business closures, travel bans and lockdowns to confront the pandemic.

China’ s **efforts** ~~unwavering commitment~~ to ~~controlling~~ ---- **control** the spread of the COVID- 19 virus by locking down its largest cities ~~has~~ placed a strain on already- stressed global supply chains. Several of the Company’ s customers ~~have~~ experienced financial difficulties as a result of the COVID- 19 pandemic. ~~If~~ **A resurgence of** ~~these~~ -- **the** ~~difficulties persist, these customers may close their retail stores permanently, reduce orders, file for bankruptcy or liquidate, any of which may negatively impact the Company’ s sales. The~~ COVID- 19 pandemic **, or any other outbreak of contagious disease,** could adversely affect the Company ~~’~~**'** s revenues, earnings, liquidity and cash flows and may require significant actions in response, including employee furloughs, closings of Company facilities, expense reductions or discounts of the pricing of the Company ~~’~~**'** s products, all in an effort to mitigate such effects . Conditions surrounding COVID- 19 change......, its profitability could be adversely affected . The Company’ s sourcing and marketing operations in foreign countries are subject to anti- corruption laws. The Company’ s foreign operations are subject to laws prohibiting improper payments and bribery, including the U. S. Foreign Corrupt Practices Act and similar laws and regulations in foreign jurisdictions, which apply to the Company’ s directors, officers, employees and agents acting on behalf of the Company. Failure to comply with these laws could result in damage to the Company’ s reputation, a diversion of management’ s attention from its business, increased legal and investigative costs, and civil and criminal penalties, any or all of which could adversely affect the Company’ s operating results. The strength of the Company’ s competitors may impact the Company’ s ability to maintain and grow its sales, which could decrease the Company’ s revenues. The infant and toddler consumer products industry is highly competitive. The Company competes with a variety of distributors and manufacturers, both branded and private label. The Company’ s ability to compete successfully depends principally on styling, price, service to the retailer and continued high regard for the Company’ s products and trade names. Several of these competitors are larger than the Company and have greater financial resources than the Company, and some have experienced financial challenges from time to time, including servicing significant levels of debt. Those facing financial pressures could choose to make particularly aggressive pricing decisions in an attempt to increase revenue. The effects of increased competition could result in a material decrease in the Company’ s revenues. The Company’ s success is dependent upon retaining key management personnel. Certain of the Company’ s executive management and other key personnel have been integral to the Company’ s operations and the execution of its growth strategy. The departure from the Company of one or more of these individuals, along with the inability of the Company to attract qualified and suitable individuals to fill the Company’ s open positions, could adversely impact the Company’ s growth and operating results. The Company may need to write down or write off inventory. If product programs end before the inventory is completely sold, then the remaining inventory may have to be sold at less than carrying value. The market value of certain inventory items could drop to below carrying value after a decline in sales, at the end of programs, or when management makes the decision to exit a product group. Such inventory would then need to be written down to the lower of carrying or market value, or possibly completely written off, which would adversely affect the Company’ s operating results. The Company could experience losses associated with its intellectual property. The Company relies upon the fair interpretation and enforcement of patent, copyright, trademark and trade secret laws in the U. S., similar laws in other countries, and agreements with employees, customers, suppliers, licensors and other parties. Such reliance serves to establish and maintain the intellectual property rights associated with the products that the Company develops and sells. However, the laws and courts of certain countries at times do not protect intellectual property rights or respect contractual agreements to the same extent as the laws of the U. S. Therefore, in certain jurisdictions the Company may not be able to protect its intellectual property rights against counterfeiting or enforce its contractual agreements with other parties. Specifically, as discussed above, the Company sources its products primarily from foreign contract manufacturers, with the largest concentration being in China. Article VII of the National Intelligence Law of China requires every commercial entity in China, by simple order of the Chinese government, to act as an agent of the government by committing espionage, technology theft, or whatever else the government deems to be in the national interest of China. Finally, a party could claim that the Company is infringing upon such party’ s intellectual property rights, and claims of this type could lead to a civil complaint. An unfavorable outcome in litigation involving intellectual property could result in any or all of the following: (i) civil judgments against the Company, which could require the payment of royalties on both past and future sales of certain products, as well as plaintiff’ s attorneys’ fees and other litigation costs; (ii) impairment charges of up to the carrying value of the Company’ s intellectual property rights; (iii) restrictions on the ability of the Company to sell certain of its products; (iv) legal and other costs associated with investigations and litigation; and (v) adverse effects on the Company’ s competitive position. Recalls or product liability claims could increase costs or reduce sales. The Company must comply with the Consumer Product Safety Improvement Act, which imposes strict standards to protect children from potentially harmful products and which requires that the Company’ s products be tested to ensure that they are within acceptable levels for lead and phthalates. The Company must also comply with related regulations developed by the Consumer Product Safety Commission and similar state regulatory authorities. The Company’ s products could be subject to involuntary recalls and other actions by these authorities, and concerns about product safety may lead the Company to voluntarily recall, accept returns or discontinue the sale of select products. Product liability claims could exceed or fall outside the scope of the Company’ s insurance coverage. Recalls or product liability claims could result in decreased consumer demand for the Company’ s products, damage to the Company’ s reputation, a diversion of management’ s attention from its business and increased customer service and support costs, any or all of which could adversely affect the Company’ s operating results. Changes in international trade regulations and other risks associated with foreign trade could adversely affect the Company’ s sourcing. The Company sources its products primarily from foreign contract manufacturers, with the largest concentration being in China. Difficulties encountered by these suppliers, such as fires, accidents, natural disasters, outbreaks of infectious diseases (including the COVID- 19 pandemic) and the instability inherent in operating within an authoritarian political structure, could halt or disrupt production and shipment of the Company’ s products. The Chinese government could make allegations against the Company of corruption or antitrust violations, or could adopt regulations related to the manufacture of products within China, including quotas, duties, taxes and other charges or restrictions on the exportation of goods produced in China. In response to Russia' s invasion of Ukraine, the U. S. government and **other** ~~more than 30~~ allied countries across the world have levied coordinated and wide- ranging economic sanctions against Russia. If similar sanctions were levied against China, up to and including a ban on the importation of goods manufactured in China, then the Company could be forced to source its products from suppliers in other countries. Any of these actions could result in an increase in the cost of the Company' s products, if the Company was even in a position to maintain the current sourcing of its products. Also, an arbitrary strengthening of the Chinese currency versus the U. S. Dollar could increase the prices at which the Company purchases finished goods. In addition, changes in U. S. customs procedures or delays in the clearance of goods through customs could result in the Company being unable to deliver goods to customers in a timely manner or the potential loss of sales altogether. The occurrence of any of these events could adversely affect the Company' s profitability. The Company could experience adjustments to its effective tax rate or its prior tax obligations, either of which could adversely affect its results of operations. The Company is subject to income taxes in the many jurisdictions in which it operates, including the U. S., several U. S. states and China. At any particular point in time, several tax years are subject to general examination or other adjustment by these various jurisdictions. **Although** ~~In August 2020,~~ the Company **believes that** ~~received notification from~~ the **calculations and positions taken on** ~~Franchise Tax Board of the State of California (the " FTB ") of~~ its **filed** ~~intention to examine the Company' s claims for refund made in connection with California consolidated~~ income tax returns **are reasonable** ~~that the Company had filed for the fiscal years ended April 2, 2017, April 1, 2018~~ and **justifiable** ~~March 31~~ , ~~2019. In February 2021, the Company was notified by the U. S. Internal Revenue Service that they had selected for examination the Company' s original and amended federal consolidated income tax returns for the fiscal year ended April 2, 2017. The ultimate resolution of these examinations could include~~ administrative or legal proceedings ~~. Although the Company believes that the calculations and positions taken on its original and amended filed returns are reasonable and justifiable, negotiations or litigation~~ leading to the ~~final~~ outcome of any examination could result in an adjustment to the position that the Company has taken. Such adjustment could result in further adjustment to one or more income tax returns for other jurisdictions, or to income tax returns for prior or subsequent tax years, or both. To the extent that the Company' s reserve for unrecognized tax liabilities is not adequate to support the cumulative effect of such adjustments, the Company could experience a material adverse impact on operating results. The Company' s provision for income taxes is based on its effective tax rate, which in any given financial statement period could fluctuate based on changes in tax laws or regulations, changes in the mix and level of earnings by taxing jurisdiction, changes in the amount of certain expenses within the consolidated statements of income that will never be deductible on the Company' s income tax returns and certain charges deducted on the Company' s income tax returns that are not included within the consolidated statements of income. These changes could cause fluctuations in the Company' s effective tax rate either on an absolute basis, or in relation to varying levels of the Company' s pre- tax income. Such fluctuations in the Company' s effective tax rate could adversely affect its results of operations. Customer pricing pressures could result in lower selling prices, which could negatively affect the Company' s operating results. The Company' s customers could place pressure on the Company to reduce the prices of its products. The Company continuously strives to stay ahead of its competition in sourcing, which allows the Company to obtain lower cost products while maintaining high standards for quality. There can be no assurance that the Company could respond to a decrease in sales prices by proportionately reducing its costs, which could adversely affect the Company' s operating results. Disruptions to the Company' s information technology systems could negatively affect the Company' s results of operations. The Company' s operations are highly dependent upon computer hardware and software systems, including customized information technology systems and cloud- based applications. The Company also employs third- party systems and software that are integral to its operations. These systems are vulnerable to cybersecurity incidents, including disruptions and security breaches, which can result from unintentional events or deliberate attacks by insiders or third parties, such as cybercriminals, competitors, nation- states, computer hackers and other cyber terrorists. The Company faces an evolving landscape of cybersecurity threats in which evildoers use a complex array of means to perpetrate attacks, including the use of stolen access credentials, malware, ransomware, phishing, structured query language injection attacks and distributed denial- of- service attacks. The Company has implemented security measures to securely maintain confidential and proprietary information stored on the Company' s information systems and continually invests in maintaining and upgrading the systems and applications to mitigate these risks. There is no assurance that these measures and technology will adequately prevent an intrusion or that a third party that is relied upon by the Company will not suffer an intrusion, that unauthorized individuals will not gain access to confidential or proprietary information or that any such incident will be timely detected and effectively countered. A significant data security breach could result in negative consequences, including a disruption to the Company' s operations and substantial remediation costs, such as liability for stolen assets or information, repairs of system damage, and incentives to customers or other business partners in an effort to maintain relationships after an attack. An assault against the Company' s information technology infrastructure could also lead to other adverse impacts to its results of operations such as increased future cybersecurity protection costs, which may include the costs of making organizational changes, deploying additional personnel and protection technologies, and engaging third- party experts and consultants. A significant disruption to the Company' s distribution network or to the timely receipt of inventory could adversely impact sales or increase transportation costs, which would decrease the Company' s profits. Nearly all of the Company' s products are imported from China into the Port of Long Beach in Southern California **and the Port of Prince Rupert in British Columbia** . There are many links in the distribution chain, including the availability of ocean freight, cranes, dockworkers, containers, tractors, chassis and drivers. The timely receipt of the Company' s products is ~~also~~ dependent upon efficient operations at ~~the~~ **these ports** ~~Port of Long Beach~~ . Any shortages in the availability of any of these links or disruptions in port operations, including strikes, lockouts or other work stoppages or slowdowns, could cause bottlenecks and other congestion in the distribution network, which could adversely impact the Company' s ability to obtain adequate inventory on a timely basis and result in lost sales, increased transportation costs and an overall decrease of the Company' s profits. General

Risk Factors The Company’ s ability to successfully identify, consummate and integrate acquisitions, divestitures and other significant transactions could have an adverse impact on the Company’ s financial results, business and prospects. As part of its business strategy, the Company has made acquisitions of businesses, divestitures of businesses and assets, and has entered into other transactions to further the interests of the Company’ s business and its stockholders. Risks associated with such activities include the following, any of which could adversely affect the Company’ s financial results: ● The active management of acquisitions, divestitures and other significant transactions requires varying levels of Company resources, including the efforts of the Company’ s key management personnel, which could divert attention from the Company’ s ongoing business operations. ● The Company may not fully realize the anticipated benefits and expected synergies of any particular acquisition or investment, or may experience a prolonged timeframe for realizing such benefits and synergies. ● Increased or unexpected costs, unanticipated delays or failure to meet contractual obligations could make acquisitions and investments less profitable or unprofitable. ● The failure to retain executive management members and other key personnel of the acquired business that may have been integral to the operations and the execution of the growth strategy of the acquired business. The Company’ s debt covenants may affect its liquidity or limit its ability to pursue acquisitions, incur debt, make investments, sell assets or complete other significant transactions. The Company’ s credit facility contains usual and customary covenants regarding significant transactions, including restrictions on other indebtedness, liens, transfers of assets, investments and acquisitions, merger or consolidation transactions, transactions with affiliates and changes in or amendments to the organizational documents for the Company and its subsidiaries. Unless waived by the Company’ s lender, these covenants could limit the Company’ s ability to pursue opportunities to expand its business operations, respond to changes in business and economic conditions and obtain additional financing, or otherwise engage in transactions that the Company considers beneficial. The Company’ s ability to comply with its credit facility is subject to future performance and other factors. The Company’ s ability to make required payments of principal and interest on its debts, to refinance its maturing indebtedness, to fund capital expenditures or to comply with its debt covenants will depend upon future performance. The Company’ s future performance is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors beyond its control. The breach of any of the debt covenants could result in a default under the Company’ s credit facility. Upon the occurrence of an event of default, the Company’ s lender could make an immediate demand of the amount outstanding under the credit facility. If a default was to occur and such a demand was to be made, there can be no assurance that the Company’ s assets would be sufficient to repay the indebtedness in full. A stockholder could lose all or a portion of his or her investment in the Company. The Company’ s common stock has historically experienced a degree of price variability, and the price could be subject to rapid and substantial fluctuations. The Company’ s common stock has also historically been thinly traded, a circumstance that exists when there is a relatively small volume of buy and sell orders for the Company’ s common stock at any given point in time. In such situations, a stockholder may be unable to liquidate his or her position in the Company’ s common stock at the desired price. Also, as an equity investment, a stockholder’ s investment in the Company is subordinate to the interests of the Company’ s creditors, and a stockholder could lose all or a substantial portion of his or her investment in the Company in the event of a bankruptcy filing or liquidation.