Risk Factors Comparison 2024-04-18 to 2023-04-13 Form: 10-K

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You should carefully consider the following risk factors, together with the other information contained or incorporated by reference into this Report and our other filings with the SEC. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we deem to be currently immaterial also may impair our business operations. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition and results of operations. Risks Related to our Business and Operations Our ~~financial and operating performance may be materially and adversely affected by pandemics, epidemics or other public health emergencies such as the ongoing COVID- 19 pandemic. The ongoing COVID- 19 pandemic has caused public health concerns as well as economic disruption, uncertainty, and volatility, all of which have impacted our business. The pandemic adversely affected workforces, customers, consumer sentiment, economies and financial markets, and impacted our financial results. Future pandemics, epidemics or other public health emergencies could have a material adverse impact on our business, financial condition, and results of operations, which will depend on future developments that are highly uncertain and cannot be predicted. This includes the duration and scope of any such event; our ability to adjust our business strategies to mitigate the impact of any such health emergency; the temporary closure of any or all of our retail stores or distribution centers; the negative impact any such event has on global and regional economies and economic activity, including inflation; the duration and extent of economic stimulus; higher insurance costs, changes in consumer shopping patterns and the impact on traditionally strong sales periods; supply chain interruptions; higher freight and other distribution costs; increased payroll expenses; difficulties hiring and retaining labor; and actions taken by governments, businesses and individuals in response to any such public health emergency. There may also be consequences that we do not anticipate at this time or that develop in unexpected ways. In addition to the risks specifically described above, the impact of any pandemic, epidemic or other public health emergency is likely to implicate and exacerbate other risks disclosed in this Item 1A, including consumer behavior and expectations, cybersecurity threats, technology systems disruption, supply chain disruptions, labor availability and cost, implementation of our strategic goals, litigation, and regulatory requirements. Our~~ success depends on our ability to anticipate, identify and respond rapidly to changes in consumers' fashion tastes, and our failure to adequately evaluate fashion trends could have an adverse effect on our business **strategy**, financial condition and results of operations. The apparel industry in general and our core customer in particular are subject to rapidly evolving fashion trends and shifting consumer demands. Accordingly, our success is heavily dependent on our ability to anticipate, identify and capitalize on emerging fashion and home trends, including products, styles and materials that will appeal to our target consumers. A failure on our part to anticipate, identify or react appropriately and timely to changes in styles, trends, brand preferences and images is likely to lead to lower demand for our merchandise. This could cause, among other things, sales declines, excess inventories and higher markdowns, which could materially adversely affect our business and our brand image. Because our success depends significantly on our brand image among our core customer, damage to our brand image as a result of our failure to identify and respond to changing trends and tastes could have a material negative impact on our business. There can be no assurance that our new product offerings will have the same level of acceptance as our product offerings in the past or that we will be able to adequately and timely respond to the preferences of our customers. The failure of our product offerings to appeal to our customers could have a material adverse effect on our business **strategy**, results of operations and financial condition. If we are unsuccessful in competing with our retail apparel competitors, our market share could decline or our growth could be impaired and, as a result, our business **strategy**, financial condition and results of operations could be negatively impacted. The retail apparel and home fashion businesses are highly competitive with few barriers to entry. We compete against a diverse group of retailers, including national chains, mass merchants, smaller discount retail chains that sell only women' s products and general merchandise discount stores that offer a variety of products, including apparel, home fashions and other merchandise we sell for the value- conscious consumer. We also compete against local specialty retail stores, regional retail chains, traditional department stores, web- based retail stores and other direct retailers. The level of competition we face from these retailers varies depending on the product segment, as many of our competitors do not offer apparel for the entire family. Our greatest competition is generally in women' s apparel. Many of our competitors are larger than we are and have substantially greater resources than we do and, as a result, may be able to adapt better to changing market conditions, exploit new opportunities and exert greater pricing pressures on suppliers than we can. Many of these retailers have better name recognition among consumers than we do and purchase significantly more merchandise from vendors. These retailers may be able to purchase merchandise that we cannot purchase because of their name recognition and relationships with suppliers, or they may be able to purchase merchandise with better pricing concessions than we can. Our local and regional competitors have extensive knowledge of the consumer base and may be able to garner more loyalty from customers than we can. If the consumer base we serve is satisfied with the selection, quality and price of our competitors' products, consumers may decide not to shop in our stores. Additionally, if our existing competitors or other retailers decide to focus more on our core customers, we may have greater difficulty in competing effectively. 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 **strategy**, financial condition and results of operations. Our ability to attract consumers to our stores depends on several factors, including the success of the outdoor ~~community~~ **neighborhood** shopping centers where our stores are primarily located. We locate our stores primarily in outdoor ~~community~~ shopping centers where we believe our current and potential consumers shop. The success of an individual store can depend on favorable placement within a given

~~community~~ shopping center and from the volume of traffic generated by the other destination retailers and the anchor stores in the ~~community~~ shopping centers where our stores are located. We cannot control the development of alternative shopping destinations near our existing stores or the availability or cost of real estate within existing or new shopping destinations. Our business could suffer if our store locations fail to attract sufficient consumer traffic due to consumer preferences to shop on the internet or at large warehouse stores, increased competition in our shopping areas, the amount we spend on advertising, an economic slowdown or a decline in the popularity of outdoor ~~community~~ shopping centers, or if we are unable to locate replacement locations on terms acceptable to us. If a destination retailer or anchor store in our ~~community~~ shopping centers closes or leaves, or if there is significant deterioration of the surrounding areas in which our stores are located, it could result in reduced sales at our stores and leave us with excess inventory, which could have a material adverse effect on our financial results or business. **Additionally, we are embarking on renovating a number of our stores. If these remodels do not attract new or existing customers to our stores or otherwise drive an increase in sales then this may have an adverse impact on our business and results of operations.** We do not sell our products through the internet. As the retail industry experiences an increase in online sales, our sales could be adversely affected. The retail landscape has changed with **some** consumers ~~' shopping habits~~ shifting ~~away~~ **spend** from ~~the~~ traditional brick- and- mortar stores to online retailers ~~. Internet sales have been obtaining an increasing percentage of retail sales over the past few years and this trend is expected to continue~~ . The continued growth of online sales could have a negative impact on our sales, as our customers may decide to make purchases through online retailers. ~~11Our~~ -- **Our** sales, inventory levels and earnings fluctuate on a seasonal basis, which makes our business more susceptible to adverse events that occur during the first and fourth quarters. ~~Our~~ **Historically, our** sales and earnings are significantly higher during the first and fourth quarters each year due to the importance of the spring selling season, which includes Easter, and the fall selling season, which includes Christmas. Factors negatively affecting us during the first and fourth quarters, including adverse weather, pandemics ~~such as COVID- 19~~ **or other seasonal public health emergencies, cybersecurity events** , unfavorable economic conditions, reduced governmental assistance, and tax refund patterns for our customers, will have a greater adverse effect on our financial condition than if our business was less seasonal. Seasonal fluctuations also affect our inventory levels. In order to prepare for the spring and fall selling seasons, we must order and keep in stock significantly more merchandise than during other parts of the year. While we believe we have a flexible supply chain, we often enter into agreements to purchase merchandise well in advance of the applicable selling season and before trends are confirmed by sales. Therefore, we are vulnerable to changes in consumer preference and demand between the time we design and order our merchandise and the season in which this merchandise will be sold. If we are not able to accurately predict customers' preferences for our fashion items, we may have too much inventory which may result in increased markdowns and lower margins. Conversely, if we are unable to accurately predict demand for our merchandise, we could also end up with inventory shortages, which may negatively impact customer relationships, diminish brand loyalty and result in lost sales. In either event, our sales may be lower and our cost of sales may be higher than historical levels, which could have a material adverse effect on our business **strategy** , financial condition and results of operations. ~~We~~ **11We** could experience a reduction in sales if we are unable to fulfill our current and future merchandising needs. We depend on our suppliers for the continued availability and satisfactory quality of our merchandise. Our suppliers could discontinue selling to us at any time. Additionally, if the manufacturers or other owners of brands or trademarks terminate the license agreements under which some of our suppliers sell our products, we may be unable to obtain replacement merchandise of comparable fashion appeal or quality, in the same quantities or at the same prices. We purchase a portion of our products from suppliers that directly ship these products to our stores. These direct shipment relationships enable us to make available to our customers a wide selection of products without having to maintain large amounts of inventory. The termination or interruption of our relationships with any of these suppliers could materially adversely affect our business. In addition, a number of our suppliers are smaller, less capitalized companies and are more likely to be impacted by unfavorable general economic and market conditions than larger and better capitalized companies. These smaller suppliers may not have sufficient liquidity during economic downturns to properly fund their businesses, and their ability to supply their products to us could be negatively impacted. **They may also be more vulnerable to cybersecurity threats.** If we lose the services of one or more of our significant suppliers or one or more of them fail to meet our merchandising needs, we may be unable to timely or adequately replace the merchandise we currently source with merchandise provided elsewhere, which could negatively impact our sales and results of operations. Failure to properly manage and allocate our inventory could have an adverse effect on our business **strategy** , sales, margins, financial condition, and results of operations. In order to better serve our customers and maximize sales, we must properly execute our inventory management strategies by appropriately allocating merchandise among our stores, timely and efficiently distributing inventory to such locations, maintaining an appropriate mix and level of inventory in such locations, appropriately changing the allocation of floor space of stores among product categories to respond to customer demand, and effectively managing pricing and markdowns, and there is no assurance we will be able to do so. In addition, as we continue to implement new inventory allocation initiatives, there could be disruptions in inventory flow and placement. Failure to effectively execute our opportunistic inventory buying and inventory management strategies could adversely affect our business **strategy** , financial condition and results of operations. We also face certain risks from our use of third- party order fulfillment and direct shipping for products we do not hold in inventory such as freight cost increases, timely delivery and customer service and delays due to work stoppages. We base our purchases of inventory, in part, on our sales forecasts. If our sales forecasts do not match customer demand, we may experience higher inventory levels and need to markdown excess or slow- moving inventory, leading to decreased profit margins, or we may have insufficient inventory to meet customer demand, leading to lost sales, either of which could adversely affect our financial performance. We also experience inventory shrinkage due to theft or damage. Higher rates of inventory shrinkage or increased security or other costs to combat inventory shrinkage could adversely affect our **business strategy,** results of operations and financial condition, and our efforts to contain or reduce inventory shrinkage may not be successful. We rely on numerous third parties in the supply chain to produce and deliver the products that we sell, and our business may be negatively impacted by their failure to comply with applicable law. Merchandise we sell in our stores is subject to quality and safety regulatory standards set by various governmental authorities. Regulations in this area may change from time to time. We rely on numerous third parties to supply quality merchandise that complies with product safety laws and other applicable laws, but these third parties may not comply with all such applicable ~~12laws--~~ -- **laws** . Violations of law by our importers, suppliers, manufacturers or distributors could result in delays in shipments and receipt of goods or damage our reputation, thus causing our sales to decline. Although our arrangements with our vendors frequently provide for indemnification for product liabilities, the vendors may fail to honor those obligations to an extent we consider sufficient or at all. Issues with the quality and safety of merchandise we sell in our stores, regardless of our fault, or customer concerns about such issues, could result in damage to our reputation, lost sales, uninsured product liability claims or losses, merchandise recalls, increased costs, and regulatory, civil or criminal fines or penalties, any of which could have a material adverse effect on our financial results. Further, we could incur liability with manufacturers or other owners of brands or trademarked products if we inadvertently receive and sell counterfeit brands, infringing products or unlicensed goods, which could adversely impact our results of operations. ~~We~~ **Although we** endeavor to establish relationships with reputable vendors to reduce this risk **, there is no guarantee that we will be successful in doing so** . If we fail to protect our name and brand in the marketplace, there could be a negative effect on our business and limitations on our ability to penetrate new markets. We believe that our " Citi Trends " trademark is integral to our store design and our success in building consumer loyalty to our brand. We have registered this trademark with the U. S. Patent and Trademark Office. We have also registered, or applied for registration of, additional trademarks with the U. S. Patent and Trademark Office that we believe are important to our business. ~~We~~ **12We** cannot assure that these registrations will prevent imitation of our name, merchandising concept, store design or private label merchandise or the infringement of our other intellectual property rights by others. Further, the use of social media by us and consumers has also increased the risk that our image and reputation could be negatively impacted. Imitation of our name, concept, store design or merchandise in a manner that projects lesser quality or carries a negative connotation of our brand image or other damage to our brand image and reputation in any aspect of its operations could have an adverse effect on our reputation, business **strategy** , financial condition and results of operations. In addition, we cannot assure that others will not try to block the manufacture or sale of our private label merchandise by claiming that our merchandise violates their trademarks or other proprietary rights since other entities may have rights to trademarks that contain the word " Citi " or may have rights in similar or competing marks for apparel and / or accessories. Although we cannot currently estimate the likelihood of success of any such lawsuit or ultimate resolution of such a conflict, such a controversy could have an adverse effect on our business **strategy** , financial condition and results of operations. Failure to attract, motivate and retain personnel and control our labor costs could have an adverse effect on our financial condition. Our success depends in part upon our ability to attract, motivate and retain a sufficient number of store sales associates, including store managers, who understand and appreciate our corporate culture and customers, and are able to adequately and effectively represent this culture with our customers. Like most retailers, we experience significant employee turnover rates, particularly among store sales associates and managers. We therefore must continually attract, hire and train new personnel to meet our staffing needs. A significant increase in the turnover rate among our store sales associates and managers would increase our recruiting and training costs and could cause us to be unable to service our customers effectively. If we are unable to hire and retain store personnel capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for our culture, understanding of our customers and knowledge of the merchandise we offer, our ability to open new stores may be impaired, the performance of our existing and new stores could be materially adversely affected and our brand image may be negatively impacted. Our ability to meet our labor needs and control labor costs is subject to various external factors, including increased market pressures with respect to prevailing wage rates, unemployment levels and health and other insurance costs; **inflation,** the impact of legislation or regulations governing labor relations, immigration, minimum wage, and healthcare benefits; changing demographics; the ~~continuing impacts~~ - **impact** of ~~COVID- 19 and other~~ future pandemics **or other public health emergencies** ; and our reputation within the labor market. Wage rates for many of our employees are slightly above the federal minimum wage. As federal and / or state minimum wage rates increase, we may need to increase not only our employees' wage rates that are under the new minimum, but also the wages paid to our other hourly employees. These factors, together with growing competition among potential employers, may result in increased salaries, benefits, or other employee- related costs, or may impair our ability to recruit and retain employees, which could have an adverse impact on our business **strategy** , financial condition and results of operations. ~~13In~~ **In** addition, we rely heavily on the experience and expertise of our senior management team and other key management associates, and accordingly, the loss of their services could have a material adverse effect on our business strategy and results of operations. Risks Related to General Economic and Market ConditionsOur sales could decline and our store operations could be disrupted as a result of general economic and other factors outside of our control, such as inflation, changes in consumer spending patterns and declines in employment levels. Downturns, or the expectation of a downturn, in general economic conditions, including the effects of unemployment levels, salaries and wage rates, inflation in **rent,** energy, food and other consumer good prices, interest rates, higher insurance costs, levels of consumer debt, changes in tax rates and policies (including delays in the distribution of tax refunds), government stimulus, consumer confidence, consumer perception of economic conditions, increased fuel costs or fuel shortages, increased shipping, transportation and distribution costs and other macroeconomic factors, could adversely affect consumer spending patterns, our sales and our results of operations. The low- income consumer, which is our core customer, is especially sensitive to these factors. Consumer confidence may also be affected by domestic and international political or social unrest (including related protests or disturbances), acts of war or terrorism, natural disasters, pandemics ~~like COVID- 19~~ **or other public health emergencies** , or other significant events outside of our control. These and other social, political and economic factors that contribute to consumer unease or damage to our stores, may lead to a decrease in spending by consumers or disrupt our store operations, which may negatively impact our business **strategy** , financial condition and results of operations. Also, because apparel generally is a discretionary purchase, declines in consumer spending patterns may have a more negative effect on apparel retailers than some other ~~retailers~~ **13retailers** . In addition, since many of our stores are located in the southeastern United States, our operations are more susceptible to regional factors than the operations of our more geographically diversified competitors. Therefore, any adverse economic conditions that have a disproportionate effect on the southeastern United States could have a greater negative effect on our sales and results of operations than on retailers with a more geographically diversified store base. **Inflation and rising commodity prices could adversely affect our business. In addition to the impact on our customers, inflation may adversely impact our financial performance placing pressure on the prices of our products. If the cost of our products changes as a result of inflation, we may be forced to adjust our retail prices accordingly. This in turn may cause our core customer base to not purchase our products or otherwise visit our stores. We are unable to predict how long the current inflationary environment will continue or the impact of inflationary trends on consumer behavior and our sales and profitability in the future. If inflation continues or increases this will likely have a materially adverse impact on our business and results of operations.** A significant disruption to our distribution ~~process~~ **centers** or retail locations could have an adverse effect on our business **strategy** , financial condition and results of operations. Our ability to distribute our merchandise to our store locations in a timely manner is essential to the efficient and profitable operation of our business. We have distribution centers located in Darlington, South Carolina and Roland, Oklahoma. The efficient flow of our merchandise requires that our distribution facilities be operated effectively and have adequate capacity to support our current level of operations and any anticipated increased levels that may follow from the growth of our business. Any natural disaster or other disruption to the operation of either of these facilities or our direct shipping capabilities due to fire, accidents, public health emergencies ~~such as the COVID- 19 pandemic~~ , weather conditions, including natural disasters, **cybersecurity incidents** or any other cause could damage a significant portion of our inventory, impair our ability to stock our stores adequately and may result in increased supply chain costs or lost sales. In addition, the southeastern United States, where ~~the~~ **our** Darlington distribution center and many of our stores are located, is vulnerable to significant damage or destruction from hurricanes and ~~tropical storms~~ **hailstorms** . The midwestern United States, where ~~the~~ **our** Roland distribution center and many stores are located, is vulnerable to significant damage or destruction from tornados and ~~hail storms~~ **hailstorms** . Such weather events may become increasingly frequent or severe as a result of climate change. Although we maintain insurance on our stores **, distribution centers** and other facilities, the economic effects of a natural disaster that affects our distribution centers and / or a significant number of our stores could have an adverse effect on our business **strategy** , financial condition and results of operations. We currently rely upon third- party transportation providers for all of our merchandise shipments to our distribution centers and our retail stores. Accordingly, we are subject to the risks, including labor disputes or strikes, union organizing activity, inclement weather, public health emergencies, supply chain interruptions, port delays, increased freight, distribution and transportation costs, associated with such providers' ability to provide delivery services to meet outbound shipping needs. In addition, if the cost of fuel rises, the cost to deliver merchandise to our distribution centers and our retail stores may rise and such costs could have an adverse impact on our profitability. If we change the transportation providers we use, we could face logistical difficulties that could adversely affect deliveries, and we would incur costs and expend resources in connection with such change. Moreover, we may not be able to obtain terms as favorable as those received from our current independent third- party transportation providers which, in turn, would increase our costs. Failure to deliver merchandise to our distribution centers and our retail stores in a timely, effective and economically viable manner could adversely affect our business **strategy** , financial condition and results of operations. ~~14We~~ **We** do not own or operate any manufacturing or production facilities and therefore depend upon third parties for the manufacture of all of our merchandise. The inability of a manufacturer to ship goods on time and to our specifications, or to operate in compliance with our guidelines or any other applicable laws, could negatively impact our business **strategy, financial condition and results of operations** . We do not own or operate any manufacturing or production facilities. As a result, we are dependent upon our timely receipt of quality merchandise from third- party manufacturers. If our manufacturers do not ship orders to us in a timely manner or meet our quality standards, it could cause delays in responding to consumer demands or inventory shortages and negatively affect consumer confidence in the quality and value of our brand or negatively impact our competitive position. Any of these factors could have a material adverse effect on our **business strategy,** financial condition or results of operations. Furthermore, we are susceptible to increases in sourcing costs, which we may not be able to pass on to customers, and changes in payment terms from manufacturers, which could adversely affect our **business strategy,** financial condition and results of operations. We maintain compliance guidelines for our vendors that dictate various standards, including product quality, manufacturing practices, labor compliance and legal compliance. If any of our manufacturers fail to comply with applicable laws or these ~~guidelines~~ **14guidelines** , or engage in any socially unacceptable business practices, such as poor working conditions, child labor, disregard for environmental standards or otherwise, our brand reputation could be negatively impacted and our results of operations could in turn be materially adversely affected. Adverse trade restrictions may disrupt our supply of merchandise. We also face various risks because much of our merchandise is imported. We purchase our merchandise from a large assortment of vendors, and a substantial portion of this merchandise is manufactured outside of the United States and imported by our vendors from countries such as China and other areas of the Asia- Pacific region. The countries in which our merchandise currently is manufactured or may be manufactured in the future could become subject to new trade restrictions imposed by the United States or other foreign governments. There is continuing uncertainty with respect to trade relations between the United States and such countries, especially China. Trade restrictions, including increased customs restrictions and tariffs or quotas against apparel or home items, as well as United States or foreign labor strikes, work stoppages or boycotts, could increase the cost or reduce the supply or impede the timely delivery of merchandise available to us and have an adverse effect on our business. In addition, our merchandise supply could be impacted if our vendors' imports become subject to existing or future duties and quotas, or if our vendors face increased competition from other companies for production facilities, import quota capacity and shipping capacity. We also face a variety of other risks generally associated with relying on vendors that do business in foreign markets and import merchandise from abroad, such as: ● ~~political~~ **geopolitical unrest, supply disruptions or increased shipping costs in China or the Asia- Pacific region where** ~~or~~ **our** ~~labor instability,~~ **third- party vendors are located; ●** natural disasters, public health emergencies ~~, including the COVID- 19 pandemic,~~ or the threat of terrorism, in particular in countries where our vendors source merchandise; ● increases in merchandise costs due to raw material price inflation or changes in purchasing power caused by fluctuations in currency exchange rates; ● enhanced security measures at United States and foreign ports, which could delay delivery of imports; ● imposition of new or supplemental duties, trade restrictions, sanctions, tariffs, quotas, taxes, environmental regulations, emissions standards and other charges on imports; ● compliance with new or changing import / export controls; ● delayed receipt or non- delivery of goods due to the failure of foreign- source suppliers to comply with import regulations, organized labor strikes or congestion at United States ports; ● concerns about human rights and working conditions in countries where our merchandise is manufactured and produced; and ● local business practice and political issues, including issues relating to compliance with domestic or international labor and environmental standards. Risks Related to our StrategyWe may not be able to sustain our growth plans or successfully implement our long- term strategic goals. Our growth strategy includes successfully opening and operating new stores, optimizing product assortment and investing in infrastructure to expand our specialty value model within our current markets and into new geographic regions and customer demographics. Growth can add complexity to effective information sharing and requires significant attention from our management and other functions across our business in order to expand successfully and manage the implementation of this growth effectively. If any aspect of our expansion strategy does not achieve the success we expect, in whole or in part, we may fail to meet our financial performance expectations, slow our planned growth or close stores or operations. The success of ~~15opening~~ -- **opening** new stores is dependent upon, among other things, the current retail environment, the identification of suitable markets and the availability of real estate that meets our criteria for traffic, square footage, co- tenancies, lease economics, demographics, and other factors, the negotiation of acceptable lease terms, construction costs, the increased hiring, training and retention of competent sales personnel, and the effective management of inventory to meet the needs of new and existing stores on a timely basis. Our ability to expand successfully into other geographic markets will also depend on acceptance of our retail store experience by customers in those markets, including our ability to design our stores in a manner that resonates locally and ~~to~~ **15to** offer the correct product assortment to appeal to consumers in such markets. Part of our growth strategy involves expanding our stores to the multicultural demographic and other multicultural groups, and we may not be able to successfully market to or predict demographic trends among these groups. There can be no assurance that any newly opened stores will be received as well as, or achieve net sales or profitability levels consistent with, our projected targets or be comparable to those of our existing stores in the time periods estimated by us, or at all. These risks may increase with further growth, and we may not be able to execute our growth strategies successfully, on a timely basis, or at all, which may adversely affect our business plans, sales and results. We may engage in strategic transactions that could negatively impact our liquidity, increase our expenses and present significant distractions to management. We may consider strategic transactions and business arrangements, including, but not limited to, acquisitions, asset purchases, partnerships, joint ventures, restructurings and investments. Any such transaction may require us to incur non- recurring or other charges, may increase our near and long- term expenditures and may pose significant integration challenges or disrupt our management or business, which could harm our **business strategy,** financial condition and results of operations. We depend upon strong cash flows from our operations, as well as cash on our balance sheet, to supply capital to fund our operations, growth, stock repurchases and **any potential future** interest obligations. Our business depends upon the cash on our balance sheet as well as our operations to continue to generate strong cash flow to supply capital to support our general operating activities, to fund our growth and our return of cash to stockholders through our stock repurchase programs, if any, and to pay ~~our~~ **any** interest obligations. Our inability to continue to generate sufficient cash flows to support these activities could adversely affect our growth plans, capital expenditures, operating expenses and financial performance, including our earnings per share. Changes in the capital and credit markets, including market disruptions, limited liquidity, inflation and interest rate fluctuations may increase the cost of financing or restrict our access to these potential sources of liquidity. Our continued access to these liquidity sources on favorable terms depends on multiple factors, including our operating performance and maintaining strong credit ratings. We maintain a revolving credit facility with Bank of America through April 15, 2026 which provides for a $ 75 million credit commitment and a $ 25 million uncommitted " accordion " feature that under certain circumstances could allow us to increase the size of the facility to $ 100 million. As of ~~January 28~~ **February 3** , ~~2023~~ **2024** , we had no borrowings outstanding under this facility. Although we currently have available a credit facility to fund our current operating needs, if necessary, we cannot be certain that we will be able to replace our existing credit facility or refinance any future debt at a reasonable cost when necessary. For example, **increased volatility in the capital and credit markets or** a systemic failure of the banking system in the United States or globally could potentially result in a situation in which we lose our ability to draw down funds from our revolving credit facility, lose access to our deposits and are unable to obtain financing from other sources. If our access to capital is restricted or our borrowing costs increase, our **business strategy, results of** operations and financial condition could be adversely impacted. We maintain deposit balances with certain financial institutions that are above the federal insurance limit. A failure of these institutions could result in loss of these deposits. We may be unable to negotiate future leases or renegotiate current leases on the same favorable terms as we had in the past. Our strategic growth plan depends in part on our ability to renew current leases and enter into new leases for future stores. We currently lease all of our store locations and distribution centers and are subject to the risks associated with leasing real estate. If we decide to close stores or distribution centers, we may be required to continue to perform obligations under the applicable leases, including, among other things, paying rent and operating expenses for the balance of the lease term, or paying to exercise rights to terminate, and the performance of any of these obligations may be expensive. When the current lease terms for our stores or distribution centers expire, we may be unable to negotiate renewals which could lead to the closing or relocating stores or centers on less favorable terms or in a less favorable location. If we fail to successfully implement our various marketing efforts or if our competitors are more effective with their programs than we are, our revenue or results of operations may be adversely affected. Customer traffic and demand for our merchandise may be influenced by our marketing efforts. Although we use marketing to drive customer traffic through various media including digital / social media and e- mail, some of our competitors expend more for their marketing programs than we do, or use different approaches than we do, which may provide them with a competitive advantage. Further, we may not effectively implement strategies with respect to rapidly evolving Internet- based and other digital ~~16or~~ **or** mobile communication channels, including social media. Our programs may not be or remain effective or could require increased expenditures, which could have a significant adverse effect on our revenue and results of operations. ~~Risks~~ **16Risks** Related to Regulatory, Legal and CybersecurityChanges in government regulations could have an adverse effect on our **business strategy,** financial condition and results of operations. We are subject to numerous federal, state and local laws and regulations that govern numerous aspects of our business. In recent years, a number of new laws and regulations have been adopted, there has been expanded enforcement of certain existing laws and regulations by federal, state and local agencies, and the interpretation of certain laws and regulations has become increasingly complex. These laws and regulations, and related interpretations and enforcement activity, may change as a result of a variety of factors, including political, economic or social events. Changes in, expanded enforcement of, or adoption of new federal, state or local laws and regulations governing areas such as minimum wage or living wage requirements, workplace- regulation and other labor or employment benefits laws, supply chain, taxes, including changes to corporate tax rates, privacy and information security, or environmental regulation such as carbon emission standards and environmental, social and governance (ESG) programs, transparency and reporting, could increase our costs of doing business or impact our sales, operations or profitability. In addition to increased regulatory compliance requirements, changes in laws could make ordinary conduct of our business more expensive or require us to change the way we do business. For example, changes in federal and state minimum wage laws could raise the wage requirements for certain of our employees, which would likely cause us to reexamine our entire wage structure for stores. Other laws related to employee benefits and treatment of employees, including laws related to limitations on employee hours, work scheduling, supervisory status, leaves of absence, mandated health benefits or overtime pay, could also negatively impact us, such as by increasing compensation and benefits costs for overtime and medical expenses. **Continued or increased 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 scrutiny from investors, customers, government regulators and other stakeholders concerning sustainability matters. In the U. S., there are various proposals for new or enhanced disclosure requirements regarding climate emissions, sustainability, workforce diversity and other human capital resources metrics, among other topics. Complying with these complex reporting obligations or expectations may increase our costs associated with compliance, disclosure and reporting. Furthermore, evolving sustainability laws, regulations and stakeholder expectations may result in uncertain and potentially burdensome reporting requirements as stakeholders, agencies and government authorities adjust their expectations or change laws and regulations, such as proposals currently under consideration regarding climate emissions reporting and auditing requirements. Failure to comply with all of the currently proposed regulatory requirements in a timely manner may adversely affect our reputation, business and financial performance.** Any failure of our management information systems or the inability of third parties to continue to upgrade and maintain our systems could have an adverse effect on our business **strategy** , financial condition and results of operations. We depend on the accuracy, reliability and proper functioning of our management information systems, including the systems used to track our sales and facilitate inventory management. We also rely on our management information systems for point- of- sale, merchandise planning and allocation, replenishment and markdowns, as well as other key business functions. These functions enhance our ability to process and optimize sales while limiting markdowns and reducing inventory risk through properly marking down slow- selling styles, reordering existing styles and effectively distributing new inventory to our stores. We do not currently have redundant systems for all functions performed by our management information systems. Any interruption in these systems ~~, such as the interruption we experienced in January 2023 (described below),~~ could impair our ability to manage our inventory effectively, which could have an adverse effect on our business **strategy, financial condition or results of operations** . Our computer systems and the third- party systems we rely on are also subject to damage or interruption from a number of causes, including power outages; computer and telecommunications failures; computer viruses, malware, ransomware, phishing or distributed denial- of- service attacks; security breaches; cyber- attacks; catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes; acts of war or terrorism and design or usage errors by our employees or contractors. Compromises, interruptions or shutdowns of our systems, including those managed by third parties, whether intentional or inadvertent, could lead to delays in our business operations and, if significant or extreme, affect our **financial condition or** results of operations. For example, as previously disclosed in our Form 8- K filed with the SEC on February 23, 2023, we experienced a disruption of our back office and distribution center IT systems in January 2023 due to what is known as Hive ransomware. The incident did not result in a material disruption to our business **strategy, financial condition** or **results of** operations, material costs net of insurance coverage or other adverse material consequences; however, there can be no assurance of a similar result in the future. ~~We~~ **17We** depend on third- party suppliers to maintain and periodically upgrade our management information systems. Due to ever- evolving cybersecurity threats, we and our third- party service providers and vendors must continually evaluate and adapt our respective systems ~~and~~ **,** processes and overall security environment. If any of these suppliers is unable to continue to maintain and upgrade these software programs and / or if we are unable to convert to alternate systems in an efficient and timely manner, it could result in an adverse effect on our business **strategy, financial condition or results of operations** . Failure to maintain the security of employee, customer or vendor information could expose us to litigation, government enforcement actions and materially impact our reputation and business operations. Over the normal course of business operations, we obtain certain private or confidential information of our employees, **job applicants,** customers, and vendors. **If retained,** ~~This~~ **this** information may be stored within our internal information technology environments or hosted by third **-** party service providers. We have implemented security procedures and technology that are intended to safeguard this information from cybersecurity attacks and data breaches. These safeguards include, but are not limited to, routine penetration ~~17and~~ -- **and** vulnerability testing, network segmentation, strong encryption protocols, virus and malware protection, email security scanning, simulation training, vendor assessments, and on- going monitoring and patching activities. There **can be no assurance that we will adhere to such measures and there** is no guarantee that these measures will be adequate to safeguard against all data security breaches, system compromises or misuses of data. Although we continue to develop, and further enhance, our systems and processes that are designed to protect personal information and prevent data loss and other security breaches and disruptions such as the one we experienced in the past, such measures cannot provide absolute security. Cyberattacks continue to evolve and there can be no assurance that a future attacker would be unable to gain access to the information we collect. These attacks can come in many forms, including computer hacking, acts of vandalism or theft, malware, ransomware, computer viruses or other malicious codes, phishing, employee error or malfeasance, catastrophes, unforeseen events or other cyber- attacks. Additionally, **as we rely on third parties throughout the course of our business operations,** a failure of a third **-** party service provider to monitor and secure their environment could lead to unauthorized access of our private or confidential information. Any future cyberattack or a breach of our data could expose us to costly fines, private litigation and response measures, credit card brand assessments, government enforcement actions, disruption of business operations, negative publicity, erode customer confidence in the effectiveness of our data security measures, and decrease our current or potential customers' willingness to shop in our stores which could adversely affect our business ~~and~~ **strategy,** financial conditions **and results of operations** . Furthermore, there can be no assurance that any limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. Additionally, a failure to adhere to the payment card industry' s data security standards could lead to significant penalties from payment card associations, termination of our ability to receive credit or debit card payments, any of which could have a material adverse effect on our business ~~and~~ **strategy,** financial condition **and results of operations** . While we maintain cyber insurance coverage, it may not be adequate for liabilities or costs actually incurred, and we cannot be certain that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage of a future claim. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements, compliance with those requirements could also result in additional costs. 18Risks Relating to Ownership of our Common StockOur stock price is subject to volatility. Our stock price has been volatile in the past and may be influenced in the future by a number of factors, including: ● actual or anticipated fluctuations in our operating results; ● changes in preferences **or spending habits** of our customers; ● changes in securities analysts' recommendations or estimates of our financial performance or our failure to meet any such estimates; ● changes in market valuations or operating performance of our competitors or companies similar to ours; ● announcements by us, our competitors or other retailers, including strategic actions by us or our competitors, such as acquisitions, restructurings, significant contracts, joint marketing relationships, joint ventures or capital commitments; ● market and industry perception of our success, or lack thereof, in pursuing our growth strategy; ● additions and departures of key personnel; ● changes in accounting principles; ● the passage of legislation or other regulatory developments affecting us; ● the trading volume of our common stock in the public market and size of our public float; ● changes in economic or financial market conditions, including without limitation, the systemic failure of the banking system in the United States or globally; ● global economic, legal and regulatory factors unrelated to our performance; ● our involvement in any litigation or investigations by government authorities, including litigation judgments, settlements or other litigation- related costs; ● cyber events, such as the ransomware incident we experienced in January 2023; ● natural disasters, public health emergencies, ~~such as the COVID-19 pandemic,~~ terrorist acts, acts of war or periods of civil unrest; and ● the realization of some or all of the risks described in this section entitled " Risk Factors. " These and other factors may cause the market price and demand for our common stock to fluctuate substantially, which may limit or prevent investors from readily selling their shares of common stock and may otherwise negatively affect the liquidity of our common stock. In addition, the stock markets have experienced significant price and trading volume fluctuations from time to time, including in recent months, and the market prices and trading volumes of the equity securities of retailers have been volatile, including our common stock. These broad market fluctuations may adversely affect the market price of our common stock. We cannot provide any guaranty of future cash dividend payments or **future** ~~that we will continue to actively~~ repurchase **of** our common stock pursuant to a share repurchase program. Any determination to declare and pay cash dividends on our common stock in the future (quarterly or otherwise) will be based, among other things, **on** our board of directors' conclusion in each instance that the declaration and payment of a cash dividend is in the best interest of our stockholders and is in compliance with all laws and agreements applicable to the dividend and upon our financial condition, results of operations, business **strategy** and cash requirements. Additionally, there can be no assurance that our existing share repurchase authorizations will be completed or that our board of directors will approve additional repurchase programs in the future. We presently have no intention to reinstate the dividend, and there can be no assurance that we will resume paying dividends on a regular basis. 19