Risk Factors Comparison 2023-11-13 to 2022-11-14 Form: 10-K

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

~~The global spread of~~ **Our industry and business environment, domestic and international economic conditions, geopolitical circumstances, changing social standards, lingering** COVID- 19 **issues** ~~has created significant volatility~~ , ~~uncertainty,~~ and ~~economic disruption in the~~ **other** ~~United States~~ **specific risks may affect our future business decisions** and ~~elsewhere in the world over the~~ **financial performance. The matters discussed below may cause our future results to differ from** past **results or** ~~several quarters. The extent to which the~~ **those** ~~ongoing COVID~~ **described in forward** - **looking statements** ~~19 pandemic impacts our business, operations,~~ and **could** ~~financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration, scope, and severity of the pandemic; governmental, business, and individuals' actions that~~ have **a material** ~~been taken, and continue to be taken, in response to the pandemic; the impact of the pandemic on worldwide economic activity, including related supply chain issues (including, for example, shipping delays, capacity constraints, increasing labor costs, and supply shortages), and actions taken in response to such impacts; the~~ effect on our ~~clients~~ **business** , **financial condition** ~~including educational institutions~~ , ~~and client demand for our services; our ability to conduct in- person programs; our ability to sell and provide our services and solutions, including the impact of travel restrictions and from people working from home; the ability of our clients to pay for our services on a timely basis or at all; the ability to maintain sufficient~~ liquidity ~~; and any closure of our offices. Any of these events~~ , **results of operations, and stock price, and should be considered in evaluating** ~~or~~ **our** ~~related conditions,~~ **Company. The risks included here are not exhaustive. Other sections of this report may include additional risk factors which** could ~~cause or contribute to the risks and uncertainties described in this Annual Report and could materially~~ adversely affect our business ~~,~~ **and** financial ~~condition~~ **performance. Moreover** , **we operate in a very competitive and rapidly changing global environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual** results ~~of operations, cash flows, and stock price~~ **to differ materially from those contained in any forward- looking statements** . ~~-~~ **Given these risks and uncertainties, investors should not place undue reliance on forward- looking statements as a prediction of actual results. Further, the disclosure of risks identified below does not imply that the risk has already materialized.** ~~12Training~~ -- **Training** Industry and Related Risks We operate in an intensely competitive industry and our competitors may develop programs, services, or courses that adversely affect our ability to sell our offerings. The training and consulting services industry is intensely competitive with relatively easy entry. Competitors continually introduce new programs, services, and delivery methods that may compete directly with our offerings, or that may make our offerings uncompetitive or obsolete. Larger competitors may have superior abilities to compete for clients and skilled professionals, reducing our ability to deliver quality work to our clients. Some of our competitors may have greater financial and other resources than we do. In addition, one or more of our competitors may develop and implement training courses or methodologies that may adversely affect our ability to sell our offerings and products to new clients. Any one of these circumstances could have an adverse effect on our ability to obtain new business and successfully deliver our services. ~~Our~~ **13Our** results of operations could be adversely affected by economic and political conditions and the effects of these conditions on our clients' businesses and their levels of business activity. Global economic and political conditions affect our clients' businesses and the markets in which they operate. Instability in ~~the~~ global credit markets; ~~the impact of~~ uncertainty regarding global central bank monetary policy; instability in the geopolitical environment in many parts of the world, including international hostilities; inflation; energy shortages and pricing; the current economic challenges in China, including the global economic ramifications of Chinese economic difficulties; and other disruptions may continue to put pressure on **the** global ~~economic~~ **economy** ~~conditions~~ . If global economic, political, and market conditions, or conditions in key markets, remain uncertain or deteriorate further, we may experience material adverse impacts on our business, operating results, and financial condition. Our financial results are somewhat dependent on the amount that current and prospective clients budget for training. A serious and / or prolonged economic downturn combined with a negative or uncertain political climate could adversely affect our clients' financial condition and the amount budgeted for training by our clients. These conditions may reduce the demand for our services or depress the pricing of those services and have an adverse impact on our results of operations. Changes in global economic conditions may also shift demand to services for which we do not have competitive advantages, and this could negatively affect the amount of business that we are able to obtain. Such economic, political, and client spending conditions are influenced by a wide range of factors that are beyond our control and that we have no comparative advantage in forecasting. If we are unable to successfully anticipate these changing conditions, we may be unable to effectively plan for and respond to those changes, and our business could be adversely affected. Our business success also depends in part upon continued growth in the use of training and consulting services and the renewal of existing contracts by our clients. In challenging economic environments, our clients may reduce or defer their spending on new services and consulting solutions in order to focus on other priorities. At the same time, many companies have already invested substantial resources in their current means of conducting their business and they may be reluctant or slow to adopt new approaches that could disrupt existing personnel and / or processes. If growth in the general use of training and consulting services in business or our clients' spending on these items declines, or if we cannot convince our clients or potential clients to embrace new services and solutions, our results of operations could be adversely affected. In addition, our business tends to lag behind economic cycles and, consequently, the benefits of an economic recovery following a period of economic downturn may take longer for us to realize than other segments of the economy. Failure to maintain our reputation, brand image, and culture could negatively impact our business. Our success depends on our ability to maintain and enhance our brand image and reputation. Maintaining, promoting, and growing our brands will depend on our design and marketing efforts, including advertising and consumer campaigns, content and platform innovation and quality, and our efforts in these respects may not have the desired impact on our brand image and reputation. In addition, our success in maintaining, extending, and expanding our brand image depends ~~13on~~ **on** our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and digital dissemination of advertising campaigns on our digital platforms and through our digital experiences. We could be adversely impacted if we fail to achieve any of these objectives. Our brand value also depends on our ability to maintain a positive consumer perception of our corporate integrity, purpose, and brand culture. Negative claims or publicity involving us, our culture and values, our products, services and experiences, consumer data, or any of our affiliates could seriously damage our reputation and brand image, regardless of whether such claims are accurate. Further, our reputation and brand image could be damaged as a result of our support of, association with or lack of support or disapproval of certain social causes, as well as any decisions we make to continue to conduct, or change, certain of our activities in response to such considerations. Social media, which accelerates and potentially amplifies the scope of negative publicity, can increase the challenges of responding to negative claims. Adverse publicity about regulatory or legal action against us, or by us, could also damage our reputation and brand image, undermine consumer confidence in us and reduce long- term demand for our products, even if the regulatory or legal action is unfounded or not material to our operations. If the reputation, perception, or image of any of our brands is ~~tarnished~~ **14tarnished** or if we receive negative publicity, our financial condition and results of operations could be materially and adversely affected. Some terminology, language, or content in our offerings may be deemed offensive by certain individuals due to rapidly changing societal norms, which may cause damage to our brand or reputation. Our mission is to enable greatness in individuals and organizations **everywhere** regardless of race, religion, gender, or other individual characteristics. We write and design our content and materials to accomplish this mission and believe that the principles we teach improve lives. Through our directly owned offices and international licensees, our content is delivered in numerous countries around the world in different languages and in different cultures. The language, graphics, and examples used in our content and materials may be understood and interpreted differently by individuals based on culture, experience, societal norms, and other factors. As a result, some individuals may find some of the content in our materials offensive. While we have developed an ongoing review process to remove potentially offensive terms or images from our materials, a rapidly changing cultural and social environment may create unfavorable interpretations of language or images faster than we can identify and remediate them. Although our intent is to educate and improve individual lives and organizational cultures without offense, an unfavorable interpretation by an individual or organization of the language, concepts, or images used in our content or materials may harm our reputation and brand, cause us to lose business, and adversely affect our ~~business and~~ results of operations. We have only a limited ability to protect our intellectual property rights, which are important to our success. Our financial success is partially dependent on our ability to protect our proprietary offerings and other intellectual property. The existing laws of some countries in which we provide services might offer only limited protection of our intellectual property rights. To protect our intellectual property, we rely upon a combination of confidentiality policies, nondisclosure and other contractual arrangements, as well as copyright and trademark laws. The steps we take in this regard may not be adequate to prevent or deter infringement or other misappropriation of our intellectual property, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights, especially in foreign jurisdictions. The loss of proprietary content or the unauthorized use of our intellectual property may create greater competition, loss of revenue, **and** adverse publicity, and may **also** limit our ability to reuse that intellectual property with other clients. Any limitation on our ability to provide a service or solution could cause us to lose revenue- generating opportunities and require us to incur additional expenses to develop new or modified solutions for future engagements. We depend on key personnel, the loss of whom could harm our business. Our future success will depend, in part, on the continued service of key executive officers and personnel. The loss of the services of any key individuals could harm our business. Our future success also depends on our ability to identify, ~~14attract~~ -- **attract** , and retain additional qualified senior personnel. Competition for such individuals in the current labor market and in our industry is intense, and we may not be successful in attracting and retaining such personnel. If we are unable to attract, retain, and motivate high- quality employees, including sales personnel and training consultants, we may not be able to grow our business as projected or may not be able to compete effectively. Our success and ability to grow are partially dependent on our ability to hire, retain, and motivate sufficient numbers of talented people with the increasingly diverse skills needed to serve our clients and grow our business. Competition for skilled personnel is intense at all levels of experience and seniority. There is a risk that we will **be unable** ~~find it difficult~~ to hire and retain a sufficient number of employees with the skills or backgrounds we require, or that it will prove difficult to retain them in a competitive and inflationary labor market. If we are unable to hire and retain talented sales and delivery employees with the skills, and in the locations, we require, we might not be able to grow our business at projected levels or may not be able to effectively deliver our content and services. If we need to hire additional personnel to maintain a specified number of sales personnel or are required to re- assign personnel from other geographic areas, it could increase ~~our~~ **15our** costs and adversely affect our profit margins. In addition, the inability of newly hired sales personnel to achieve increased sales metrics as they progress may inhibit our ability to attain anticipated sales growth. Our work with governmental clients exposes us to additional risks that are inherent in the government contracting process. Our clients include national, state, provincial, and local governmental entities, and our work with these governmental entities has various risks inherent in the governmental contracting process. These risks include, but are not limited to, the following: ? Governmental entities typically fund projects through appropriated monies. While these projects are often planned and executed as multi- year projects, the governmental entities usually reserve the right to change the scope of, or terminate, these projects for lack of approved funding, budgetary changes, and other discretionary reasons. Changes in governmental priorities or other political developments, including disruptions in governmental operations, could result in ~~changes~~ **reductions** in the scope of, or in termination of, our existing contracts. ? Governmental entities often reserve the right to audit our contract costs, including allocated indirect costs, and conduct inquiries and investigations of our business practices with respect to our government contracts. Findings from an audit may result in our being required to prospectively adjust previously agreed upon rates for our work, which may **adversely** affect our future margins. ? If a governmental client discovers improper activities in the course of audits or investigations, we may become subject to various civil and criminal penalties and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions, or debarment from doing business with other agencies of that government. ? Political and economic factors such as pending elections, the outcome of elections, revisions to governmental tax policies, sequestration, debt ceiling negotiations, and reduced tax revenues can affect the number and terms of new governmental contracts signed. The occurrences or conditions described above could affect not only our business with the particular governmental agency involved, but also our business with other agencies of the same or other governmental entities. Additionally, because of their visibility and political nature, governmental contracts may present a heightened risk to our reputation. Any of these factors could have an adverse effect on our business or our results of operations. ~~15Cybersecurity~~ -- **Cybersecurity** and Information Technology Risks The All Access Pass and Leader in Me subscription services are internet-based platforms, and as such we are subject to increased risks of cyber- attacks and other security breaches that could have a material adverse effect on our business. As part of selling subscription- based services, we collect, process, and retain a limited amount of sensitive and confidential information regarding our customers. Because our subscription services are internet- based platforms, our facilities and systems may be vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, stolen intellectual property, programming or human errors, or other similar events. The access by unauthorized persons to, or the improper disclosure by us of, confidential information regarding our customers or our own proprietary information, software, methodologies, and business secrets could result in significant legal and financial exposure, damage to our reputation, or a loss of confidence in the security of our systems, products, and services, which could have a material adverse effect on our business, financial condition, or results of operations. To the extent we are involved in any future cyber- attacks or other breaches, our brand and reputation could be affected, and these conditions could also have a material adverse effect on our business, financial condition, or results of operations. ~~We~~ **16We** could incur additional liabilities or our reputation could be damaged if we do not protect client data or if our information systems are breached. We are dependent on information technology networks and systems to process, transmit, and store electronic information and to communicate between our locations around the world and with our clients. Security breaches of this infrastructure could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of personal or confidential information. We are also required at times to manage, utilize, and store personal data, including sensitive or confidential client or employee data. As a result, we are subject to numerous U. S. and foreign jurisdiction laws and regulations designed to protect this information, such as the various U. S. federal and state laws governing the protection of personal data. If we, our associates, business partners, or our service providers negligently disregard or intentionally breach our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, fines, and / or criminal prosecution **, as well as litigation from parties impacted by a breach of their data or harm to their systems as a result of malware or other security incidents within our own networks or systems** . Unauthorized disclosure **, loss or alteration** of personal, sensitive, or confidential client or employee data **or client or end- user systems** , whether through systems failure, employee negligence, fraud, or misappropriation could damage our reputation and cause us to lose clients. Legal requirements relating to the collection, storage, handling, and transfer of personal data continue to evolve. For example, in May 2018 the General Data Protection Regulation (GDPR) became effective in the European Union (EU) **and other countries within the European Economic Area** . The GDPR ~~imposed~~ **imposes** strict requirements on the collection, use, security, and transfer of personal information in and from **applicable countries** ~~EU member states~~ . Under GDPR, fines of up to 20 million Euros or up to four percent of the annual global revenues of the infringer, whichever is greater, could be imposed. Although GDPR applies across the European ~~Union~~ **Economic Area** , local data protection authorities still have the ability to interpret GDPR, **and in some areas to legislate requirements even more stringent than those in the GDPR,** which ~~may~~ **occasionally** ~~create~~ **creates** inconsistencies in application on a country- by- country basis. Furthermore, with the United Kingdom' s (UK) transition out of the EU as of January 1, 2021, we may encounter additional complexity with respect to data privacy and data transfers to and from the UK under the UK GDPR. Other countries, such as Brazil **, Australia, Canada, Japan,** and South Africa, have also enacted data protection laws **, some of which are** analogous to GDPR **and others which have different and additional requirements, which may include data localization** . We have implemented **policies,** controls **,** and procedures, including a team dedicated to data protection, to comply with the requirements of GDPR / UK GDPR and analogous laws. However, these new procedures and controls may not be completely effective in preventing unauthorized breaches of personal data **. In addition, as the laws in certain countries are fairly new, there may not always be sufficient guidance from the applicable regulators, or case law interpreting the laws. Accordingly, we will need to continue evolving our compliance measures over time, and there is some risk that common interpretations of the requirements in such laws may not necessarily align with opinions of applicable regulators or potential litigants, such that the risk of fines and litigation may be increased in countries with newer laws** . In addition, on July 16, 2020, the Court of Justice of the European Union (CJEU) invalidated the EU- U. S. Privacy Shield, a framework that had enabled companies to transfer data from EU member states to the U. S. On September 8, 2020, the Swiss Federal Data Protection and Information Commissioner followed suit, and announced that the Swiss- U. S. Privacy Shield Framework was inadequate for personal information transfers from Switzerland to the U. S. ~~Both cases raised questions about~~ **The Privacy Shield Framework has now been replaced by the new Data Privacy Framework (DPF) together with a UK Extension to the EU- U. S. DPF and the Swiss- U. S. DPF. The DPF was developed by the U. S. Department of Commerce and the European Commission, UK Government, and Swiss Federal Administration, to**

provide U. S. organizations with reliable mechanisms for personal data transfers to the U. S. from the EU, UK and Switzerland. The European Commission adopted an adequacy decision for the EU- U. S. DPF on July 10, 2023. We are in the process of becoming certified under the DPF, however, several parties have indicated that ~~the~~ **they will be filing legal challenges to the DPF, so the continued** viability of **this transfer mechanism may soon be in doubt. Due to the invalidation of the Privacy Shield and the current and likely future additional challenges to the DPF, we will continue to utilize the newer** Standard Contractual Clauses (SCCs) **, adopted by the European Commission on June 4, 2021,** as a ~~Privacy~~ **GDPR** - **compliant mechanism for** ~~Shield alternative. On June 4, 2021,~~ the ~~European Commission adopted~~ **transfer of personal data from the EU, UK and Switzerland to the U. S., in 17addition to the DPF. The** new SCCs ~~, which~~ imposed on companies additional obligations relating to data transfers, including the obligation to conduct a transfer impact assessment and, depending on a party’ s role in the transfer and the laws and practices of the destination country, to implement additional security measures, and to update internal ~~16privacy~~ -- **privacy** practices. Regulatory guidance suggests that certain transfers of personal data to the U. S. could be compliant only if the recipient is able to implement specific technical and procedural security controls to protect that personal data, and such controls may not be practical for certain service delivery models, in particular those reliant on cloud services. ~~Decisions in several countries in the EU have created additional uncertainty surrounding the conditions necessary to properly implement the SCCs in the context of U. S. transfers, in particular, the nature of the technical and organizational controls necessary for such transfers to be lawful.~~ To the extent we rely on the SCCs for data transfers, we may be required to incur significant time and resources to update our contractual arrangements and implement the supplementary security measures ~~,~~ necessary to comply with new requirements. Compliance may also require changes in services, business practices, or internal systems that may result in increased costs, lower revenue, reduced efficiency, or greater difficulty in competing with foreign- based firms. Failure to comply with existing or new rules may result in significant penalties or orders to stop the alleged noncompliant activity. The inability to import personal information from Europe to the United States or other countries may decrease demand for our products and services as our customers that are subject to such laws may seek alternatives that do not involve personal information transfers out of Europe. Our inability to import personal information to the United States and other countries may decrease the functionality or effectiveness of our products and services, increase costs, and adversely impact our marketing efforts, plans, and activities. Further, **in** ~~on August 20,~~ 2021, China adopted the PRC Personal Information Protection Law, or PIPL **, and the Data Security Law, or DSL** . The PIPL took effect on November 1, 2021 **and the DSL took effect on September 1, 2021** . The PIPL **and DSL in combination** ~~establishes~~ -- **establish** comprehensive requirements relating to the collection, use, transfer, security, and other processing of personal information in or from China. The PIPL **and DSL together** ~~incorporates~~ - **incorporate** many requirements common to international privacy **and security** laws, such as GDPR, and adds unique regulatory requirements relating to data localization, international data transfers, consumer consent, the processing of “ sensitive personal information, ” and the operations of certain “ internet platform services. ” ~~While several new regulations and practical guidelines have been published by the PRC in order to implement the PIPL, key regulations are not yet in force, including those concerning contractual clauses for international data transfers and other requirements relating to international data transfers and data localization.~~ Fines and penalties under the PIPL range from fines up to RMB 50, 000, 000 or five percent of global annual turnover, **and fines under the DSL related** to **data transfer violations may range up to RMB 10, 000, 000 and data transfers may be suspended as a result of violations. Violations of these laws may also result in** the cancellation of business authorizations, personal liability or professional restrictions for responsible company officers, as well as criminal and civil liability. Early enforcement actions under PIPL have included civil actions against companies that fail to obtain proper consent for processing sensitive personal information or other unlawful data collection. Recent regulatory actions have centered on ineffective channels for data subjects to exercise rights, the over- collection of personal information, and deceptive practices. **As we observe** ~~In the event the law requires us to store data in~~ China **’ s enforcement of the PIPL** , **DSL and associated laws and regulations over time, we may need to adjust** ~~or~~ **our compliance activities** ~~limits our ability to transfer data across borders~~ , **and** we may experience increased costs, business inefficiencies, lost sales, decreased demand, and decreased competitiveness, as we may be unable to provide our services or certain features, or provide them in an efficient or centralized manner. Additionally, local companies may be favored by customers who will not consent to or accept transfer of their data out of China. Fines, corrective actions, or other penalties asserted due to alleged noncompliance may impose additional financial or operational costs, limit our ability to attract and retain local talent, or limit our ability to do business in China. These risks may be magnified due to regulatory uncertainty ~~and short periods to achieve compliance~~ . Additionally, under the PIPL **or DSL** , we may be subject to additional liabilities, claims, penalties, or causes of action in the event of a breach **or various security violations** of customer personal information. Other governmental authorities throughout the U. S. and around the world are considering or have adopted similar types of legislative and regulatory proposals concerning data protection. For example, in June 2018, the State of California enacted the California Consumer Privacy Act of 2018 (the CCPA), which ~~was~~ took effect on January 1, 2020 **, and which has subsequently been amended to add new requirements** . The CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, and allows consumers to opt out of data sales, as well as certain data sharing with third parties and provides a new private cause of action for data breaches. Additionally, the California Privacy Rights Act (the CPRA) amendments to the CCPA created additional obligations relating to consumer data beginning on January 1, 2022, with enforcement beginning on July 1, 2023. The CPRA amendments expand ~~the private right of action for consumers~~ - **consumer rights related to** ~~, expands the CCPA’ s limitation on~~ sharing of personal information, ~~and~~ **grant additional rights to consumers,** ~~removes~~ - **remove the exceptions for business- to- business and employment data, and remove** the 30- day window to cure alleged noncompliance before being subject to administrative enforcement. Other states, including Colorado **, Connecticut** , Virginia, and Utah have also passed comprehensive privacy laws that are now in effect or will ~~come~~ **18come** into effect ~~in~~ **by the end of this year. At the present time, six** ~~the~~ **other** ~~coming~~

states have enacted similar comprehensive privacy laws, which will become effective in the next several years **, and numerous other states have proposed or enacted laws relating to more narrow privacy or security requirements** . Furthermore, **various** ~~in June 2022, the first draft~~ **drafts** of a comprehensive federal privacy bill ~~was~~ **have been** introduced to congress ~~. If enacted~~ , **and more will likely be introduced in the coming months. Some of the proposed bills, including** the proposed American Data Privacy and Protection Act would largely preempt state privacy legislation; however, the scope of preemption and enforcement- related matters remain uncertain. The Federal Trade ~~17Commission~~ -- **Commission** and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data. These privacy, security, and data protection laws and regulations continue to evolve and enforcement in the U. S. and internationally continues to increase. These developments could impose significant limitations on or require changes to our business, restrict our use or storage of personal information, and increase risks of legal liability, which may in turn increase our compliance risk and expenses, and make our business more costly or less efficient to conduct. **To the extent any of these laws include a private right of action, we may also face increased risk of litigation.** We strive to employ global best practices in securing and monitoring code, applications, systems, processes, and data, and our data protection practices are regularly reviewed and validated by an external auditing firm. However, these efforts may be insufficient to protect sensitive information against illegal activities and we may be exposed to additional liabilities from the various data protection laws enacted within the jurisdictions where we operate **, as well as a risk of litigation in jurisdictions where there is a private right of action related to violations** . Our business is becoming increasingly dependent on information technology and will require additional cash investments in order to grow and meet the demands of our clients. Since the introduction of our online subscription services, our dependence on the use of sophisticated technologies and information systems has increased. Moreover, our technology platforms will require continuing cash investments (including business acquisitions such as the acquisition of Strive in fiscal 2021) by us to expand existing offerings, improve the client experience, and develop complementary offerings. Our future success depends in part on our ability to adapt our services and infrastructure while continuing to improve the performance, features, and reliability of our services in response to the evolving demands of the marketplace. Failure to adapt and improve these areas could have an adverse effect on our business, including our results of operations, financial position, and cash flows. **Our use of artificial intelligence technologies may not be successful and may present business, compliance, and reputational risks. We are working to develop our use of artificial intelligence (AI) technologies in some of our products and processes. If we fail to keep pace with rapidly evolving AI technological developments, our competitive position and business results may be negatively impacted. Our use of AI technologies will require resources to develop, test and maintain such products, which could be costly. Third parties may be able to use AI to create technology that could reduce demand for our products. In addition, the introduction of AI technologies, particularly generative AI, into new or existing offerings may result in new or expanded risks and liabilities, due to enhanced governmental or regulatory scrutiny, litigation, compliance issues, ethical concerns, confidentiality, data privacy or security risks, as well as other factors that could adversely affect our business, reputation, and financial results. For example, the use of AI technologies could lead to unintended consequences, such as accuracy issues, cybersecurity risks, unintended biases, and discriminatory outputs, which could impact our ability to protect our data, intellectual property, and client information, or could expose us to intellectual property claims by third parties.** ~~Liquidity~~ **19Liquidity** and Capital Resource Risks **Adverse developments affecting the financial** ~~We may not be able to generate sufficient cash to service~~ **services industry, including events** ~~our~~ - **or** ~~indebtedness~~ **concerns involving liquidity** , **defaults,** ~~and we may be forced to take other actions to satisfy our~~ - **or** ~~payment obligations under our indebtedness, which may not be successful. Our ability to make scheduled payments on~~ **non -** ~~or to refinance our indebtedness depends on our future~~ performance ~~, including the performance of our subsidiaries, which will be affected~~ by financial **institutions** , **could adversely affect our** business ~~and economic~~ **, financial** ~~conditions~~ - **condition** , ~~competition~~ **results of operations** , ~~and other factors~~ **or our prospects** . ~~We~~ **The funds in our accounts** are **primarily held** ~~unable to control many of these factors, such as the general economy, economic conditions~~ in **banks** ~~the industries in which we operate~~ , ~~and competitive pressures~~ **including cash held in foreign banks by our foreign subsidiaries** . Our cash ~~flows~~ **held in non- interest bearing and interest- bearing accounts would exceed any applicable Federal Deposit Insurance Corporation (FDIC) insurance limits. Should events, including limited liquidity, defaults, non- performance or other adverse developments occur with respect to the banks or other financial institutions that hold our funds, or that affect financial institutions or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, our liquidity** may be **adversely affected. For example,** ~~insufficient to allow us to pay principal and interest~~ on **March 10, 2023, the FDIC announced that Silicon Valley Bank had been closed by the California Department of Financial Protection and Innovation. Although we did not have any funds in Silicon Valley Bank** ~~our~~ - **or** ~~indebtedness and to meet our~~ other ~~obligations. If~~ **institutions that have been closed, we cannot guarantee that the banks** ~~our~~ - **or other financial institutions that hold our** ~~cash flows and capital resources are insufficient to fund~~ **funds will** ~~our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may be unsuccessful and we may~~ not **experience similar issues** ~~meet our scheduled debt service obligations~~ . In addition, **investor concerns regarding** the **U. S. or international financial systems could result in less favorable commercial financing** terms ~~of existing or future debt agreements~~ , including ~~our 2019 Credit Agreement (as defined below) and subsequent modifications, may restrict us from pursuing any of these alternatives. In the event that we need to refinance all or a portion of our outstanding indebtedness before maturity or as it matures, we may not be able to obtain terms as favorable as the terms of our existing indebtedness or refinance our existing indebtedness at all. If interest rates or other factors existing at the time of refinancing result in~~ higher interest rates ~~upon refinancing, we will incur higher interest expense. Furthermore, if any rating agency changes our~~ - **or costs and tighter financial and operating covenants, or systemic limitations on access to**

credit ~~rating~~ **and liquidity sources, thereby making it more difficult** ~~or~~ **for** ~~outlook~~ **us to acquire financing on terms favorable to us in connection with a potential business combination** , ~~our~~ -- **or** ~~debt~~ **at all,** and ~~equity securities~~ could **have material** ~~be negatively affected, which could adversely~~ -- **adverse** ~~affect~~ **impacts on** our **liquidity, our business,** financial condition **or** ~~and financial~~ results **of operations, and our prospects** . Failure to comply with the terms and conditions of our credit facility may have an adverse effect upon our business and operations. Our secured credit agreement ~~and subsequent modifications~~ **obtained in fiscal 2023** ~~require~~ **requires** us to **comply** ~~be in compliance~~ with customary non- financial terms and conditions as well as specified financial ratios. Failure to comply with these terms and conditions or maintain adequate financial performance to comply with specific financial ratios entitles the lender to certain remedies, including the right to immediately call due any amounts owed on the credit agreement. Such events would have an adverse effect ~~18upon~~ -- **upon** our business and operations as there can be no assurance that we may be able to obtain other forms of financing or raise additional capital on terms that would be acceptable to us. We may need additional capital in the future, and this capital may not be available to us on favorable terms or at all. We may need to raise additional funds through public or private debt offerings or equity financings in order to: ? Develop new services, programs, or offerings ? Take advantage of opportunities, including business acquisitions ? Respond to competitive pressures Going forward, we will continue to incur costs necessary for the day- to- day operation and potential growth of the business and may use our available revolving line of credit facility and other financing alternatives, if necessary, for these expenditures. We obtained a new credit agreement in ~~August 2019~~ **March 2023** (the ~~2019~~ **2023** Credit Agreement) with ~~our existing~~ **a new** lender that expires in ~~August~~ **March** ~~2024~~ **2028** . We expect to regularly renew or amend our lending agreement in the future to maintain the availability of this credit facility. Additional potential sources of liquidity available to us include factoring receivables, issuance of additional equity, or issuance of debt from public or private sources. If necessary, we will evaluate all of these options and select one or more of them depending on overall capital needs and the associated cost of capital. Any additional capital raised through the sale of equity could dilute current shareholders' ownership percentage in us. Furthermore, we may be unable to obtain the necessary capital on terms or conditions that are favorable to us, or at all. **20We may not be able to generate sufficient cash to service our indebtedness, and we may be forced to take other actions to satisfy our payment obligations under our indebtedness, which may not be successful. Our ability to make scheduled payments on or to refinance our indebtedness depends on our future performance, including the performance of our subsidiaries, which will be affected by financial, business and economic conditions, competition, and other factors. We are unable to control many of these factors, such as the general economy, economic conditions in the industries in which we operate, and competitive pressures. Our cash flows may be insufficient to allow us to pay principal and interest on our indebtedness and to meet our other obligations. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may be unsuccessful and we may not meet our scheduled debt service obligations. In addition, the terms of existing or future debt agreements, including our 2023 Credit Agreement and subsequent modifications, may restrict us from pursuing any of these alternatives. In the event that we need to refinance all or a portion of our outstanding indebtedness before maturity or as it matures, we may not be able to obtain terms as favorable as the terms of our existing indebtedness or refinance our existing indebtedness at all. If interest rates or other factors existing at the time of refinancing result in higher interest rates upon refinancing, we will incur higher interest expense. Furthermore, if any rating agency changes our credit rating or outlook, our debt and equity securities could be negatively affected, which could adversely affect our financial condition and financial results.** Public Company Risks We may fail to meet analyst expectations, which could cause the price of our stock to decline. Our common stock is publicly traded on the ~~New York Stock Exchange (~~ NYSE ~~)~~, and at any given time various securities analysts follow our financial results and issue reports on us. These periodic reports include information about our historical financial results as well as the analysts' estimates of our future performance. The analysts' estimates are based on their own opinions and are often different from our estimates or expectations. The price of our common stock could, however, decline if an analyst downgrades our common stock or if those analysts issue other unfavorable commentary or cease publishing reports about us or our business. If analysts do not continue to follow us or if our operating results are below the estimates or expectations of public market analysts and investors, our stock price could decline. If our stock price is volatile, we may become involved in securities litigation following a decline in price. Any litigation could result in substantial costs and a diversion of management' s attention and resources that are needed to successfully run our business. Our business performance may not be sufficient for us to meet the financial guidance that we provide publicly. We may provide financial guidance to the public based upon expectations regarding our financial performance. While we believe that our annual financial guidance provides investors and analysts with insight into our view of the Company' s future performance, such financial guidance is based on assumptions that may not always prove to be accurate and may vary from actual results. If we fail to meet the financial guidance that we provide, or if we find it necessary to revise such guidance during the year, the market value of our common stock could be adversely affected. ~~19Our~~ -- **Our** future quarterly operating results are subject to factors that can cause fluctuations in our stock price. Historically, our stock price has experienced significant volatility. We expect that our stock price may continue to experience volatility in the future due to a variety of potential factors that may include the following: ? Fluctuations in our quarterly results of operations and cash flows ? ~~Increased overall~~ **Overall** market volatility ? Variations between our actual financial results and market expectations ? Changes in key balances, such as cash and ~~cash equivalents~~ **deferred revenues 21** ? Currency exchange rate fluctuations ? Unexpected asset impairment charges These factors, among others, may have an adverse effect upon our stock price in the future. General Business Risks Our results of operations may be adversely...... and profitability may be adversely impacted. Unstable market and economic conditions may have serious adverse consequences on our business, financial condition, and operations. The global credit and financial markets have from time to time experienced extreme volatility and disruptions, including severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, and uncertainty about economic stability. The financial markets and the global economy may also be adversely affected by the current or anticipated impact of military conflict, including the conflict between Russia and Ukraine, terrorism, or other geopolitical events. Sanctions imposed by the United States and other countries in response to such conflicts, including the one in Ukraine, may also adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability. There can be no assurance that further deterioration in markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment **,** or continued unpredictable and unstable market conditions ~~.~~ Our results of operations may be adversely impacted by the costs of persistent and rising inflation if we are unable to pass these costs on to our clients.In recent **quarters** ~~years,~~ inflation has increased significantly in the United States and in many of the countries where we conduct business.Inflation increases the cost of many aspects of our business,including the cost of our products sold,benefit costs,travel expenses,and associate salaries since we must increase our compensation to retain key personnel.If we are unable to increase our prices to sufficiently offset the increased costs of doing business,our results of operations and profitability may be adversely **impacted.** . Our global operations pose complex management, foreign currency, legal, tax, and economic risks, which we may not adequately address. We have ~~sales~~ **directly owned** offices **that serve clients** in **Austria,** Australia, China, **Germany, Ireland,** Japan, ~~Germany~~ **New Zealand** , Switzerland ~~, Austria~~ , and the United Kingdom. We also have licensed operations in numerous other foreign countries. As a result of these foreign operations and their impact upon our financial statements, we are subject to a number of risks, including **, but not limited to** : **22** ⍰ Restrictions on the movement of cash ⍰ The absence in some jurisdictions of effective laws to protect our intellectual property rights ⍰ Political instability ⍰ Currency exchange rate fluctuations ~~20In addition, the United Kingdom' s withdrawal from the EU, or Brexit, became effective on January 21, 2020. The~~ **These** ~~UK~~ and ~~EU subsequently signed and EU- UK Trade and Cooperation Agreement. This agreement provides details on how some aspects of the UK and EU' s relationship will operate going forward; however, there continues to be uncertainty over the practical consequences of Brexit. The impact of Brexit depends on the implementation of this agreement, as well as the terms of the UK' s future trade agreements with~~ other **related risks** ~~countries, and such impact may not be fully realized for several years or longer. This lack of clarity~~ could **adversely affect** ~~lead to economic and legal uncertainty, including significant volatility in global stock markets and currency exchange rates among other things. We have experienced or~~ **our** ~~expect we may in the future experience impacts on~~ **ability to access sources of liquidity, increase costs related to regulatory compliance, and adversely affect** our **results of** operations ~~from the following: ⍰ More stringent rules of origin on goods traded between the UK and the EU; ⍰ additional procedures related to goods traded between the EU and non- EU countries; and ⍰ new product registration requirements applicable including to avoid any new tariffs or quotas, or as a result of REACH and the new UK REACH regime. While we believe that some of these adverse impacts will be resolved in the coming years as the UK becomes accustomed to operating independent of the EU, we may in the future experience adverse consequences from Brexit, which could have a negative impact on our future operations, operating results, and financial condition~~ . Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violation of these regulations could harm our business. Because we provide services to clients in many countries, we are subject to numerous, and sometimes conflicting, regulations on matters as diverse as import / export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, government affairs, internal and disclosure control obligations, data privacy, and labor relations. Violations of these regulations in the conduct of our business could result in fines, criminal sanctions against us or our officers, prohibitions on doing business, and damage to our reputation. Violations of these regulations in connection with the performance of our obligations to our clients also could result in liability for monetary damages, fines, unfavorable publicity, and allegations by our clients that we have not performed our contractual obligations. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws may be insufficient to protect our rights. In many parts of the world, including countries in which we operate, practices in the local business community might not conform to international business standards and could violate anticorruption regulations, including the United States Foreign Corrupt Practices Act, which prohibits giving anything of value intended to influence the awarding of government contracts. Although we have policies and procedures to ensure legal and regulatory compliance, our employees, licensee operators, and agents could take actions that violate these requirements. Violations of these regulations could subject us to criminal or civil enforcement actions, including fines and suspension or disqualification from United States federal procurement contracting, any of which could have an adverse effect on our business. ~~We have significant intangible assets, goodwill, and long- term asset balances that may be impaired if cash flows from related activities decline. Due to the nature of our business, we have significant amounts of intangible assets, including goodwill, resulting from events such as the acquisition of businesses and the licensing of content. Our intangible assets are evaluated for impairment based on qualitative factors or upon cash flows and estimated royalties from revenue streams (indefinite- lived intangible assets) if necessary. Our goodwill is evaluated through qualitative factors and by comparing the fair value of the reporting units to the carrying value of our net assets if necessary. Although our current sales, cash flows, and market capitalization are sufficient to support the carrying basis of these long- lived assets, if our sales, cash flows, or common stock price decline, we may be faced with significant asset impairment charges that would have an adverse impact upon our results of operations. 21The~~ -- **The** Company' s use of accounting estimates involves judgment and could impact our financial results. Our most critical accounting estimates are described in Management' s Discussion and Analysis found in Item 7 of this report under the section entitled " Use of Estimates and Critical Accounting Policies. " In addition, as discussed in various footnotes to our financial statements as found in Item 8, we make certain estimates for loss contingencies, including decisions related to legal proceedings and reserves. Because, by definition, these estimates and assumptions involve the use of judgment, our actual financial results may differ from these estimates. If our estimates or assumptions underlying such contingencies and reserves prove incorrect, we may be required to record additional adjustments or losses relating to such matters, which would negatively affect our financial results. Ineffective internal controls could impact our business and operating results. Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results may be harmed and we could fail to meet our financial reporting obligations. **23** ~~Extreme weather conditions and natural disasters could negatively impact our operating results and financial condition. Extreme weather conditions in the areas in which our suppliers, customers, distribution facilities, offices, and headquarters are located could adversely affect our operating results and financial condition. Moreover, natural disasters such as earthquakes, hurricanes, wildfires, and tsunamis, whether occurring in the United States or abroad, and their related consequences and effects, including energy shortages and public health issues, have in the past temporarily disrupted, and could in the future disrupt, our operations, the operations of our customers, vendors and suppliers or have in the past resulted in, and in the future could result in, economic instability that may negatively impact our operating results and financial condition. In particular, if a natural disaster or severe weather event were to occur in an area in which we or our suppliers, customers, distribution facilities and vendors are located, our continued success would depend, in part, on the safety and availability of the relevant personnel and facilities and proper functioning of our or third parties' computer, network, telecommunication and other systems and operations. If we were to experience a local or regional disaster or other business continuity event or concurrent events, we could experience operational challenges, in particular depending upon how a local or regional event may affect our human capital across our operations or with regard to particular aspects of our operations, such as key executive officers or personnel. Further, if we are unable to find alternative suppliers, replace capacity at key distribution locations or quickly repair damage to our information technology systems, our ability to serve our customers could be adversely affected. These events could result in reputational damage, lost sales, cancellation charges or markdowns, all of which could have an adverse effect on our business, results of operations, and financial condition. The impacts of climate change and related regulatory responses could adversely affect our business. Sustainability and protecting our natural environment are significant priorities at Franklin Covey and we strive to implement practices and policies that support this concern. However, we cannot predict the long- term impacts on us from climate change or related regulatory responses. Complying with regulations relating to climate change, including, for example, disclosure of the impacts of climate change on our business, could require us to expend significant resources, and could adversely affect our results of operations and financial condition. We will continue to monitor the impacts of such issues on our business and consider responsive action as needed. Further, climate change may increase both the frequency and severity of extreme weather conditions and natural disasters, which may affect our business operations, either in a particular region or globally, as well as the activities of our vendors, suppliers, and customers. For example, the delivery of our services is somewhat dependent on reliable and relatively inexpensive electricity. If electricity is not readily available or affordable, we may not be able to deliver our products and services and our operating results may be adversely impacted. In addition, the physical changes prompted by climate 22change could result in changes in regulations or consumer preferences, which could in turn affect our business, operating results, and financial condition. ITEM 1B. UNRESOLVED STAFF COMMENTS None. ITEM 2. PROPERTIES As of August 31, 2022, our principal executive offices in Salt Lake City, Utah occupy approximately 54, 000 square feet of leased office space that is accounted for as a financing arrangement, which expires in 2025. This facility accommodates our executive team and corporate administration, as well as other professionals. The master lease agreement on our principal executive offices contains six five- year renewal options that may be exercised at our discretion. Additionally, we occupy leased sales and administrative offices both in the United States and various countries around the world as shown below. These leased facilities are accounted for as operating leases. We consider our existing facilities to be in good condition and suitable for our current and expected level of operations in the upcoming fiscal year and in future periods. International Sales Offices Banbury, EnglandTokyo, JapanChina: Beijing, Shanghai, Guangzhou, and Shenzhen ITEM 3. LEGAL PROCEEDINGS From time to time, we are the subject of certain legal actions, which we consider routine to our business activities. At August 31, 2022, we were not party to any litigation or legal proceeding that, in the current opinion of management, could have a material adverse effect on our financial position, liquidity, or results of operations. However, due to the risks and uncertainties inherent in legal proceedings, actual results could differ from current expectations. ITEM 4. MINE SAFETY DISCLOSURES Not applicable. PART II ITEM 5. MARKET FOR REGISTRANT' S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES Our common stock is listed and traded on the NYSE under the symbol " FC. " We did not pay or declare dividends on our common stock during the fiscal years ended August 31, 2022 or 2021. Any determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon our results of operations, financial condition, terms of our financing arrangements, and such other factors as the board deems relevant. We currently anticipate that we will retain all available funds to repay our liabilities, finance future growth and business opportunities, and to repurchase outstanding shares of our common stock. As of October 31, 2022, we had 13, 896, 516 shares of common stock outstanding, which were held by 488 shareholders of record. A number of our shareholders hold their shares in street name; therefore, we believe that there are substantially more beneficial owners of our common stock.~~