Risk Factors Comparison 2024-04-24 to 2023-04-27 Form: 10-K

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Carefully consider the risks described below and all of the other information included in our Annual Report when deciding whether to invest in our securities or otherwise evaluating our business. If any of the risks or other events or circumstances described elsewhere in this Annual Report materialize, our business, operating results or financial condition may suffer. In this case, the trading price of our common stock and the value of your investment might significantly decline. The risks listed below are not the only risks that we face. Additional risks unknown to us or that we currently believe are insignificant may also affect our business. You should also refer to the explanation of the qualifications and limitations on forward- looking statements under " Information Regarding Forward- Looking Statements, " at the end of Item 7., " Management' s Discussion and Analysis of Financial Condition and Results of Operations. " All forward- looking statements made by us are qualified by the risk factors described below. The following is a summary of some of the principal risk factors which are more fully described below. Business, Operational and Strategic Risks • The **geographic concentration of certain of our U. S. distribution facilities increases our risk to disruptions that could affect our ability to deliver products in a timely manner. • The** occurrence of cyber incidents, or failure by us or our third- party service providers to maintain cybersecurity and the integrity of confidential internal or customer data could have a material adverse effect on our operations and profitability. • A cybersecurity breach, obsolescence or interruptions in the operation of our central global Enterprise Resource Planning systems and other peripheral information systems could have a material adverse effect on our operations and profitability ~~. • The geographic concentration of certain of our U. S. distribution facilities increase our risk to disruptions that could affect our ability to deliver products in a timely manner~~. • To compete successfully, we must develop and introduce a continuing stream of innovative new products to meet changing consumer preferences. • Our operating results are dependent on sales to several large customers; furthermore, our large customers may take actions that adversely affect our gross profit and operating results. • We are dependent on third- party manufacturers, most of which are located in Asia, and any inability to obtain products from such manufacturers could have a material adverse effect on our business, operating results and financial condition. • Our ability to deliver products to our customers in a timely manner and to satisfy our customers' fulfillment standards are subject to several factors, some of which are beyond our control. • Our operating results may be adversely affected by trade barriers, exchange controls, expropriations, and other risks associated with domestic and foreign operations including uncertainty and business interruptions resulting from political changes and ~~actions~~ **events** in the U. S. and abroad ~~, such as the current conflict between Russia and Ukraine~~, and volatility in the global credit and financial markets and economy. • We are subject to risks related to our dependence on the strength of retail economies and may be vulnerable in the event of a prolonged economic downturn, including a downturn from the effects of macroeconomic conditions, any public health crises or similar conditions ~~. • We are subject to risks associated with the use of licensed trademarks from or to third parties~~. • Our business is subject to weather conditions, the duration and severity of the cold and flu season and other related factors. • We rely on our CEO and a limited number of other key senior officers to operate our business **. • We are subject to risks associated with the use of licensed trademarks from or to third parties**. • We may be unsuccessful in executing and realizing expected synergies from strategic business initiatives such as acquisitions, divestitures and global restructuring plans, including Project Pegasus. Legal, Regulatory and Tax Risks • Changes in laws and regulations, including environmental, employment and health and safety and tax laws, and the costs and complexities of compliance with such laws could have a material adverse impact on our business. • We face risks associated with the increased focus and expectations on climate change and other environmental, social and governance matters. • Significant changes in or our compliance with regulations, interpretations or product certification requirements could adversely impact our operations. • We face risks associated with global legal developments regarding privacy and data security that could result in changes to our business practices, penalties, increased cost of operations, or otherwise harm our business. • **All of our products are manufactured by unaffiliated manufacturers, most of which are located in China, Mexico and Vietnam; we face risks of significant tariffs or other restrictions being placed on imports from China, Mexico or Vietnam or any retaliatory trade measures taken by China, Mexico or Vietnam adversely impacting our business. •** Under current U. S. federal income tax law, tax treatment of our non- U. S. income is dependent on whether we are classified as a " controlled foreign corporation " for U. S. federal income tax purposes. • Legislation enacted in Bermuda and Barbados in response to the European Union' s (" EU ") review of harmful tax competition could adversely affect our operations. • Our judgments regarding the accounting for tax positions and the resolution of tax disputes may impact our net earnings and cash flow. • ~~All of our products are manufactured by unaffiliated manufacturers, most of which are located in China, Mexico and Vietnam; we face risks of significant tariffs or other restrictions being placed on imports from China, Mexico or Vietnam or any retaliatory trade measures taken by China, Mexico or Vietnam adversely impacting our business. •~~ We face risks associated with product recalls, product liability and other claims against us. Financial Risks • **Increased costs of raw materials, energy and transportation may adversely affect our operating results and cash flow. •** If our goodwill, indefinite- lived and definite- lived intangible assets, or other long- lived assets become impaired, we will be required to record impairment charges, which may be significant ~~. • Increased costs of raw materials, energy and transportation may adversely affect our operating results and cash flow. • Our liquidity or cost of capital may be materially adversely affected by constraints or changes in the capital and credit markets, interest rates and limitations under our financing arrangements~~. • We face risks associated with foreign currency exchange rate fluctuations. • Our **liquidity or cost of capital may be materially adversely affected by constraints or changes in the capital and credit markets, interest rates and limitations under our financing arrangements. • Our** projections of product demand, sales and net income are highly subjective in nature and our future sales and net income could vary ~~in~~ **by** a material amount from our projections. You should carefully consider this summary with the more detailed descriptions of risks described below and all of the other information included in our Annual Report when deciding whether to invest in our securities or otherwise evaluating our business. Certain of our U.S.distribution facilities are geographically concentrated.This factor increases our risk that disruptions could occur and significantly affect our ability to deliver products to our customers in a timely manner.Such disruptions could have a material adverse effect on our business.During fiscal ~~2023~~ **2024** ,most of our U.S.distribution,receiving and storage functions were consolidated into three distribution facilities in northern Mississippi **and our new distribution facility in Gallaway,Tennessee that became operational during the first quarter of fiscal 2024.Our new distribution facility is in proximity to our three distribution facilities in northern Mississippi** .Approximately ~~56~~ **59** % of our consolidated gross sales volume shipped from facilities in this region in fiscal ~~2023.Further,in March 2023,we completed the construction of an additional distribution facility in Gallaway,Tennessee that became operational during the first quarter of fiscal~~ 2024 ~~and is in proximity to our three existing distribution facilities in northern Mississippi~~ .Due to this geographical concentration,any disruption in our distribution process in any of these facilities,even for a few days,could adversely affect our business,operating results and financial condition.As examples,government mandated or suggested isolation protocols relating to a pandemic or other public health crisis,or severe weather events,could limit or disrupt the distribution process at these facilities,or even cause the closure of a facility,which could have a material adverse effect on our business,operating results and financial condition.These factors described above could cause delays in the delivery of our products that could have a material and adverse effect on our **business,operating results and financial condition.** The occurrence of cyber incidents, or failure by us or our third- party service providers to maintain cybersecurity and the integrity of confidential internal or customer data could have a material adverse effect on our operations and profitability. Such incidents may also result in faulty business decisions, operational inefficiencies, damage to our reputation or our associate and business relationships, and / or subject us to costs, fines, or lawsuits. Information systems require constant updates to their security policies, networks, software, and hardware systems to reduce the risk of unauthorized access, malicious destruction of data or information theft **. In addition, attacks upon information technology systems are increasing in their frequency, level of sophistication, persistence and intensity, and are being conducted by sophisticated and organized groups and individuals with a wide range of motives and expertise** . We rely on commercially available systems, software, tools, third- party service providers and monitoring to provide security for processing, transmission and storage of confidential information and data. While we have security measures in place, our systems, networks, and third- party service providers have been and will continue to be subject to ongoing threats. We and our third- party service providers have experienced and expect to continue to experience actual or attempted cyber- attacks of our information systems or networks ~~; however, none of these actual or attempted cyber- attacks~~ **. We do not believe we have experienced any material system security breach that to date has** had a material impact on our operations or **financial condition. However, if any such event, whether actual or perceived, were to occur, it could have a material adverse effect on our business, operating results and** financial condition. Our security measures may also be breached in the future as a result of associate error, failure to implement appropriate processes and procedures, advances in computer and software capabilities and encryption technology, new tools and discoveries, malfeasance, third- party action, including cyber- attacks **, hacking, phishing attacks, malware (e. g., ransomware)** or other ~~international~~ misconduct by computer hackers or otherwise. Additionally, we may have heightened cybersecurity, information security and operational risks as a result of work- from- home arrangements. Our workforce operates with a combination of remote work and flexible work schedules opening us up for cybersecurity threats and potential breaches as a result of increased ~~employee~~ **associate** usage of networks other than company- managed **networks** . Furthermore, due to geopolitical tensions **around** ~~related to~~ the **world** ~~current conflict between Russia and Ukraine~~ , the risk of cyber- attacks may be elevated. This could result in one or more third- parties obtaining unauthorized access to our customer or supplier data or our internal data, including personally identifiable information, intellectual property and other confidential business information. Third- parties may also attempt **through phishing attacks or other forms of social engineering schemes or deceptive practices** to fraudulently induce associates into disclosing sensitive information such as **usernames** ~~user names~~ , passwords or other information in order to gain access to customer or supplier data or our internal data, including intellectual property, financial, and other confidential business information **. Furthermore, although we limit the use of generative artificial intelligence (including machine learning) (AI) technologies by our associates, our third- party manufacturers, vendors and service providers may use generative AI technologies or systems. The development, adoption and use of AI technologies are still in their early stages and are complex. The algorithms and models utilized in generative AI technologies and systems may have limitations, including biases, errors, or inability to handle certain data types or scenarios. There are also risks of system failures, disruptions or vulnerabilities that could compromise the integrity, security or privacy of the AI generated content, including the use of cyberattacks against such emerging technologies. The ineffective or inadequate AI development or deployment practices by any of our third- party manufacturers, vendors or service providers could result in unintended consequences and may intensify our cybersecurity risks** . We believe our mitigation measures reduce but cannot eliminate the risk of a cyber incident; however, there can be no assurance that our existing and planned precautions of backup systems, regular data backups, security protocols and other procedures will be adequate to prevent significant damage, system failure or data loss and the same is true for our partners, vendors and other third parties on which we rely. Because techniques used to obtain unauthorized access or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative or ~~mitigation~~ - **mitigating** measures. Though it is difficult to determine what harm may directly result from any specific interruption or breach, any failure to maintain performance, reliability, security and availability of our network infrastructure or otherwise maintain the confidentiality, security, and integrity of data that we store or otherwise maintain on behalf of third- parties may harm our reputation and our associate, customer and consumer relationships. If such unauthorized disclosure or access does occur, we may be required to notify our customers, consumers, associates or those persons whose information was improperly used, disclosed or accessed. We may also be subject to claims of breach of contract for such use or disclosure, investigation and penalties by regulatory authorities and potential claims by persons whose information was improperly used or disclosed. We could also become the subject of regulatory action or litigation from our consumers, customers, associates, suppliers, service providers, and shareholders, which could damage our reputation, require significant expenditures of capital and other resources, and cause us to lose business and revenue. Additionally, an unauthorized disclosure or use of information could cause interruptions in our operations and might require us to spend significant management time and other resources investigating the event and ~~dealing~~ **coordinating** with local and federal law enforcement. Regardless of the merits and ultimate outcome of these matters, we may be required to devote time and expense to their resolution. In addition, the increase in the number and the scope of data security incidents has increased regulatory and industry focus on security requirements and heightened data security industry **practices. The rapid evolution and increased adoption of complex AI technologies has amplified this focus and continues to influence and impact data security industry requirements and** practices. New regulation, evolving industry standards, and the interpretation of both, may cause us to incur additional expense in complying with any new data security requirements. As a result, the failure to maintain the integrity of and protect customer or supplier data or our confidential internal data **could result in unintended consequences such as reputational damage, legal liabilities or loss of business, which** could have a material adverse effect on our business, operating results and financial condition. We rely on central global Enterprise Resource Planning (" ERP ") systems and other peripheral information systems. A cybersecurity breach, obsolescence or interruptions in the operation of our computerized systems or other information technologies could have a material adverse effect on our operations and profitability. Our operations are largely dependent on our ERP system. We continuously make adjustments to improve the effectiveness of the ERP and other peripheral information systems, including the installation of significant new subsystems. Our ERP system is subject to continually evolving cybersecurity and technological risks, including risks associated with cloud data storage. Any failures or disruptions in the ERP and other information systems, including a cybersecurity breach, or any complications resulting from ongoing adjustments to our systems could cause interruption or loss of data in our information or logistical systems that could materially impact our ability to procure products from our factories and suppliers, transport them to our distribution facilities, and store and deliver them to our customers on time and in the correct amounts. In addition, natural disasters or other extraordinary events may disrupt our information systems and other infrastructure, and our data recovery processes may not be sufficient to protect against loss. Certain of our U. S......., operating results and financial condition. Our long- term success in the competitive retail environment depends on our ability to develop and commercialize a continuing stream of innovative new products that meet changing consumer preferences and take advantage of opportunities sooner than our competition. We face the risk that our competitors will introduce innovative new products that compete with our products. There are numerous uncertainties inherent in successfully developing and commercializing new products on a continuing basis and new product launches may not deliver expected growth in sales or operating income. If we are unable to develop and introduce a continuing stream of competitive new products, it may have an adverse effect on our business, operating results and financial condition. Large customers may take actions that adversely affect our gross profit and operating results. With the continuing trend towards retail trade consolidation, we are increasingly dependent upon key customers whose bargaining strength is substantial and growing. We may be negatively affected by changes in the policies of our customers, such as on-hand inventory reductions, limitations on access to shelf space, use of private label brands, price and term demands, actions to respond to public health crises, and other conditions, which could negatively impact our business, operating results and financial condition. Certain of our customers source and sell products under their own private label brands that compete with our products. Additionally, as large traditional retail and online customers grow even larger and become more sophisticated, they may continue to demand lower pricing, special packaging, shorter lead times for the delivery of products, smaller more frequent shipments, or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics or other aspects of the customer- supplier relationship. If we do not effectively respond to these demands, these customers could decrease their purchases from us. A reduction in the demand for our products by these customers and the costs of complying with their business demands could have a material adverse effect on our business, operating results and financial condition. Our operating results are dependent on sales to several large customers and the loss of, or substantial decline in, sales to a top customer could have a material adverse effect on our revenues and profitability. A few customers account for a substantial percentage of our net sales revenue. Our financial condition and operating results could suffer if we lost all or a portion of the sales to any one of these customers. In particular, sales to our two largest customers accounted for approximately ~~27~~ **31** % of our consolidated net sales revenue in fiscal ~~2023~~ **2024** . While only ~~three~~ **two** customers individually accounted for 10 % or more of our consolidated net sales revenue in fiscal ~~2023~~ **2024** , sales to our top five customers in aggregate accounted for approximately ~~43~~ **47** % of fiscal ~~2023~~ **2024** consolidated net sales revenue. We expect that a small group of customers will continue to account for a significant portion of our net sales revenue. Although we have long- standing relationships with our major customers, we generally do not have written agreements that require these customers to buy from us or to purchase a minimum amount of our products. A substantial decrease in sales to any of our major customers could have a material adverse effect on our financial condition and operating results. **For example, we had reduced sales to Bed, Bath & Beyond during fiscal 2024 in comparison to the prior year as a result of its bankruptcy.** Some of our customers **'** creditworthiness may be vulnerable to the impact of a prolonged economic downturn or a public health crisis. We regularly monitor and evaluate the credit status of our customers and attempt to adjust sales terms as appropriate. Despite these efforts, a deterioration in the credit worthiness or bankruptcy filing of a key customer could have a material adverse effect on our business, operating results and financial condition. All of our products are manufactured by unaffiliated companies, most of which are in Asia, principally in China. For fiscal ~~2023~~ **2024** , finished goods manufactured in Asia comprised approximately ~~87~~ **79** % of total finished goods purchased. This concentration exposes us to risks associated with doing business globally, including among others: global public health crises (such as pandemics and epidemics); changing international political relations and conflicts; labor availability and cost; changes in laws, including tax laws, regulations and treaties; changes in labor laws, regulations and policies; changes in customs duties, additional tariffs and other trade barriers; changes in shipping costs; currency exchange fluctuations; local political unrest; an extended and complex transportation cycle; the impact of changing economic conditions; and the availability and cost of raw materials and merchandise. In recent years, increasing labor costs, import tariffs, regional labor dislocations driven by new government policies, local inflation, changes in ocean cargo carrier capacity and costs, the impact of energy prices on transportation, and fluctuations in the Chinese Renminbi against the U. S. Dollar have resulted in variability in our cost of goods sold. In the past, certain Chinese suppliers have closed operations due to economic conditions that pressured their profitability. Although we have multiple sourcing partners for certain products, occasionally we may be unable to source certain items on a timely basis due to changes occurring with our suppliers. We believe that we can source certain similar products outside of China and are moving towards a more diversified supplier base through continuously exploring the expansion of sourcing alternatives in other countries **, making progress towards such capabilities during fiscal 2024** . However, the relocation of any production capacity **will continue to require more time and** could require substantial ~~time and~~ costs. The political, legal and cultural environment in Asia is rapidly evolving, and any change that impairs our ability to obtain products from manufacturers in that region, or to obtain products at marketable rates, could have a material adverse effect on our business, operating results and financial condition. Any disruption to our supply chain, even for a relatively short period of time, could cause a loss of revenue, which could adversely affect our operating results. Additionally, **any** ~~during fiscal 2021 and 2022, the impact of COVID- 19, including the related~~ surges in demand and shifts in shopping patterns, as well as other factors, **can** ~~strained~~ -- **strain** the global supply chain network resulting in higher inbound freight costs and surges in prices for raw materials, components and semiconductor chips, which **could** adversely ~~impacted~~ -- **impact** our operating costs. During fiscal ~~2023~~ **2024** , **inbound freight costs have continued** ~~as consumer demand has slowed in reaction~~ to ~~a highly inflationary economic environment,~~ **decline from the higher costs we experienced from the COVID- 19 pandemic and related** global supply chain **disruptions** ~~capacity has improved~~ and ~~freight costs~~ have begun to ~~recede from~~ **approach levels seen prior to** ~~their~~ -- **the** ~~previous peaks~~ **impact of such factors** . However, if global supply chain disruptions re- emerge, we may experience further cost increases which could have a material adverse effect on our business, operating results and financial condition. With most of our manufacturers located in Asia, our production lead times are relatively long. Therefore, we must commit to production in advance of customer orders. If we fail to forecast customer or consumer demand accurately, we may encounter difficulties in filling customer orders on a timely basis or in liquidating excess inventories. We may also find that customers are canceling orders or returning products. Any of these results could have a material adverse effect on our business, operating results and financial condition. Retailers place great emphasis on timely delivery of our products for specific selling seasons, especially during our third fiscal quarter, and on the fulfillment of consumer demand throughout the year. We cannot control all of the various factors that might affect product delivery to retailers. Vendor production delays, difficulties encountered in shipping from overseas, customs clearance delays, and operational issues with any of the third- party logistics providers we use in certain countries are on- going risks of our business. We also rely upon third- party carriers for our product shipments from our distribution facilities to customers. In certain circumstances, we rely on the shipping arrangements our suppliers have made in the case of products shipped directly to retailers from the suppliers. Accordingly, we are subject to risks, including labor disputes, inclement weather, public health crises (such as pandemics and epidemics), natural disasters, possible acts of terrorism, port and canal backlogs and blockages, availability of shipping containers, carrier- imposed capacity restrictions, carrier delays, shortages of qualified drivers, and increased security restrictions associated with the carriers' ability to provide delivery services to meet our shipping needs. Our third **-** party manufacturing partners are not equipped to hold meaningful amounts of inventory and if shipping container capacity is limited or unavailable, they could pause manufacturing, which could ultimately impact our ability to meet consumer demand on a timely basis. Further, our delivery process must often accommodate special vendor requirements to use specific carriers and delivery schedules. Failure to deliver products to our retailers in a timely and effective manner could damage our reputation and brands and result in the loss of customers or reduced orders, which could have a material adverse effect on our business, operating results and financial condition. Our operating results may be adversely affected by trade barriers, exchange controls, expropriations, and other risks associated with domestic and foreign operations **, including uncertainty and business interruptions resulting from political changes and events in the U. S. and abroad and volatility in the global credit and financial markets and economy** . The economies of foreign countries important to our operations, including countries in Asia, EMEA and Latin America, could suffer slower economic growth or economic, social and / or political instability or hyperinflation in the future. Our international operations in countries in Asia, EMEA and Latin America, including manufacturing and sourcing operations (and the international operations of our customers), are subject to inherent risks which could adversely affect us. Additionally, there may be uncertainty and business interruptions resulting from political changes and ~~actions~~ **events** in the U. S. and abroad ~~, such as the current conflict between Russia and Ukraine~~ , ongoing terrorist activity, and other global events. The global credit and financial markets have recently experienced volatility and disruptions, including diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, 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,~~ or other geopolitical events. Sanctions imposed by the U. S. 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 affected countries and others could exacerbate market and economic instability. There can be no assurance that further deterioration in credit and financial markets and confidence in economic conditions will not occur. The domestic and foreign risks of these changes include, among other things: • protectionist policies restricting or impairing the manufacturing, sales or import and export of our products; • new restrictions on access to markets; • lack of required infrastructure; • inflation (including hyperinflation) or recession; • changes in, and the burdens and costs of compliance with, a variety of U. S. and foreign laws and regulations, including environmental laws, occupational health and safety laws, tax laws, and accounting standards; • social, political or economic instability; • acts of war and terrorism; • natural disasters and public health crises, such as pandemics and epidemics ~~(including COVID- 19)~~ ; • reduced protection of intellectual property rights in some countries; • increases in duties and taxation; • restrictions on transfer of funds or exchange of currencies; • currency devaluations; • expropriation of assets; and • other adverse changes in policies, including monetary, tax or lending policies, encouraging foreign investment or foreign trade by our host countries. Should any of these events occur, our ability to sell or export our products or repatriate profits could be impaired, we could experience a loss of sales and profitability from our domestic or international operations, and / or we could experience a substantial impairment or loss of assets, any of which could materially and adversely affect our business, operating results and financial condition. ~~We are subject to risks related to our dependence on the strength of retail economies and may be vulnerable in the event of a prolonged economic downturn, including a downturn from the effects of macroeconomic conditions, any public health crises (including any lingering effects of new surges of COVID- 19) or similar conditions.~~ Our business depends on the strength of the retail economies in various parts of the world, primarily in North America and to a lesser extent EMEA, Asia and Latin America. These retail economies are affected for the most part by factors such as consumer demand and the condition of the retail industry, which, in turn, are affected by general economic conditions and specific events such as natural disasters, public health crises (such as pandemics and epidemics), terrorist attacks and political unrest. Consumer spending in any geographic region is generally affected by a number of factors, including among others, local economic conditions, government actions, inflation, interest rates and credit availability, energy costs, commodity prices, unemployment rates, higher consumer debt levels, reductions in net worth, home foreclosures and reductions in home values, gasoline prices, and consumer confidence, all of which are beyond our control. Consumer purchases of discretionary items tend to decline during recessionary periods, when disposable income is lower, and may impact sales of our products. Measures imposed, or that may be imposed, by national, state and local authorities in response to any ~~new surges of COVID- 19 (or any future~~ public health crises ~~)~~ may have impacts of uncertain severity and duration on domestic and foreign economies. The effectiveness of economic stabilization efforts, including government payments and loans to affected citizens and industries, is uncertain. Any sustained economic downturn in the U. S. or any of the other countries in which we conduct significant business, may cause significant readjustments in both the volume and mix of our product sales, which could materially and adversely affect our business, operating results and financial condition. We cannot reasonably estimate the duration and severity of existing macroeconomic conditions, which have had and may continue to have a material impact on our business. Additionally, ~~current~~ global issues may affect our business and the global economy, including the geopolitical impact of **military conflict** ~~Russia' s invasion of Ukraine~~ and any related economic or other sanctions. As a result, current financial information may not necessarily be indicative of future operating results, and our plans to address the impact of macroeconomic trends and global issues may change ~~organization.Additionally,natural disasters (such as~~ wildfires,hurricanes and ice storms),public health crises (such as pandemics and epidemics),or unusually severe winter weather may result in temporary unanticipated fluctuations in retail traffic and consumer demand,may impact our ability to staff our distribution facilities or could otherwise impede timely transport and delivery of products to and from our distribution facilities.Sales in our Beauty & Wellness segment are also impacted by cough,cold and flu seasonal trends,including the duration and severity of the cold and flu season.These factors could have a material effect on our business,operating results and financial condition.We rely on our CEO and a limited number of other key senior officers to operate our business.The loss of any of these individuals could have a material adverse effect on our business.The loss of our CEO or any of our key senior officers could have a material adverse effect on our business,operating results and financial condition,particularly if we are unable to hire and integrate suitable replacements on a timely basis.Further,as we continue to grow our business,we will continue to adjust our senior management team.If we are unable to attract or retain the right individuals for the team,it could hinder our ability to efficiently execute our business,and could disrupt our operations or otherwise have a material adverse effect **on our business.Expectations regarding recent or future** . We rely on licensed trademarks from third parties and license certain trademarks to third parties in exchange for royalty income, the loss of which could have a material adverse effect on our revenues and profitability. A significant portion of our sales revenue comes from selling products under licensed trademarks, particularly in the Beauty & Wellness segment. As a result, we are dependent upon the continued use of these trademarks. Additionally, we license certain owned trademarks to third parties in exchange for royalty income. It is possible that certain actions taken by us, our licensors, licensees, or other third parties might diminish greatly the value of any of our licensed trademarks. Some of our licensors and licensees also have the ability to terminate their license agreements with us at their option subject to each parties' right to continue the license for a limited period of time following notice of termination. If we, or our licensees, were unable to sell products under these licensed trademarks, or one or more of our license agreements were terminated or the value of the trademarks were diminished, the effect on our business, operating results and financial condition could be both negative and material. ~~Our~~ **We may be unsuccessful in executing and realizing expected synergies from strategic** business **initiatives** is subject to weather conditions, the...... organization. Additionally, natural disasters (such as wildfires, hurricanes and ice storms)...... business. Expectations regarding recent or future acquisitions, divestitures, ~~or~~ **and** global restructuring plans (**including** ~~such as~~ Project Pegasus), **which** ~~including our ability to realize related synergies, along with our ability to successfully execute these strategic business initiatives,~~ may adversely affect the price of our common stock. We continue to look for strategic business opportunities to drive long- term growth and operating efficiencies, which may include acquisitions, divestitures and / or global restructuring plans. We frequently evaluate our brand portfolio and product portfolio and may consider acquisitions that complement our business or divestitures, or exits of businesses, that we no longer believe to be an appropriate strategic fit. We have initiated, and may initiate in the future, global restructuring plans, such as Project Pegasus, to achieve strategic objectives and improve financial results. Any acquisition, divestiture or global restructuring plan, if not favorably received by consumers, shareholders, analysts, and others in the investment community, could have a material adverse effect on the price of our common stock. In addition, any acquisition, divestiture or global restructuring plan, including Project Pegasus, involves numerous risks, including: • our ability to successfully complete the initiative in a timely manner, or at all; • the initiative may not advance our business strategy as expected; • challenges realizing anticipated cost savings, efficiencies, synergies, financial targets and other benefits; • difficulties in accurately predicting costs and future savings; • costs incurred in completing the initiative may be greater than anticipated; • the initiative may lead to increases in costs in other aspects of our business such as increased conversion, outsourcing or distribution costs; • diversion of management' s attention from other business concerns; • challenges in integrating or separating personnel and financial or other systems; • potential loss of key employees and / or reduced employee morale and productivity; and • difficulties in transitioning and preserving customer, contractor, supplier, and other important third- party relationships. Acquisitions pose additional risks, including: • difficulties in the assimilation of the operations, technologies, and products; • challenges in integrating distribution channels; • changes in cash flows or other market- based assumptions or conditions that cause the value of acquired assets to fall below book value; • risks associated with subsequent losses or operating asset write- offs, contingent liabilities and impairment of related acquired intangible assets including goodwill; and • risks of entering markets in which we have no or limited experience. Divestitures pose additional risks, including: • our ability to find appropriate buyers; • difficulties executing transactions on favorable terms; • separating divested business operations with minimal impact to our remaining operations; • risks associated with operating asset write- offs and impairment charges; and • challenges effectively managing any transition service arrangements. The impact of future legislation in the U. S. or abroad, including such things as employment and health insurance laws, environmental and climate change related legislation, tax legislation, regulations or treaties is always uncertain. Global, federal and local legislative agendas from time to time contain numerous proposals dealing with environmental policy, energy policy, taxes, financial regulation, transportation policy and infrastructure policy, among others that, if enacted into law, could increase our costs of doing business. Changes in government administrations in the U. S. or abroad, increase the uncertainty of future changes in legislation, enhanced regulations, and greater oversight, or more stringent interpretations, of existing policies by regulatory agencies. Changes in such laws, regulations or oversight could cause us to incur material capital or operating expenditures in the future to comply with applicable laws and regulations, increase our effective income tax rate, delay or interrupt distribution of our products, or make them more costly to produce, all of which could have a material adverse impact on our business. For example, the Organisation for Economic Co- operation and Development ~~' s (~~ **has introduced a framework to implement a global minimum corporate income tax of 15 %, referred to as** " ~~OECD~~ **Pillar Two.** " ~~) Inclusive~~ **Certain countries in which we operate have enacted legislation to adopt Pillar Two and other countries are considering changes to their tax laws to implement this** ~~Framework~~ **framework** ~~project~~ **. The EU agreed to implement Pillar Two starting in 2024. In response to Pillar Two, the government of Bermuda enacted a 15 % corporate income tax in December 2023 that will become effective for us in fiscal 2026. Although we currently do not expect this tax enacted by Bermuda to have a material impact to our consolidated financial statements, we will continue to monitor and evaluate impact as further regulatory guidance becomes available. Whether, and to what extent, Pillar Two** is ~~currently considering proposals that, if implemented,~~ **adopted or enacted by the other jurisdictions in which we operate is uncertain and** could increase ~~our effective tax rate. In particular, the Inclusive Framework project includes a global minimum tax proposal that contains various mechanisms to subject a multinational corporation' s income to a 15 percent minimum rate. Though the details of these~~ -- **the cost** ~~proposals are still under development, many countries have expressed a strong interest in implementing the rules, regardless of whether consensus is reached at the OECD,~~ and **complexity of compliance** ~~the EU recently agreed to implement the Inclusive Framework project' s global minimum tax rules starting in 2024. Whether,~~ and ~~to what extent, these rules are implemented consistently across jurisdictions~~ may ~~increase our related compliance costs and could have an adverse~~ **adversely affect** ~~impact on~~ our global effective tax rate, financial condition and results of operations. As additional tax or financial regulatory guidance is issued by the applicable authorities and accounting treatment is clarified, we perform additional analysis on the application of the law and we refine our estimates. Our final analysis may be different from provisional amounts, which could materially affect our tax obligations, effective tax rate and operating results in the period completed. Increased focus and expectations on climate change and other ESG matters could have a material adverse effect on our business, financial condition and results of operations and damage our reputation. Increased focus and expectations on ESG are emerging trends with governmental and non- governmental organizations, consumers, shareholders, retail customers, communities, and other stakeholders. These trends have led to, among other things, increased public and private social accountability reporting requirements relating to labor practices, climate change, human trafficking and other ESG matters and greater demands on our packaging and products. The increased focus on ESG matters may also lead to new or more regulations and customer, shareholder and consumer demands that could require us to incur additional costs or make changes to our operations to comply with new regulations or address these demands **. For example, we anticipate the reporting requirements under the EU Corporate Sustainability Reporting Directive to be effective for us in fiscal 2029** . We expect that these trends will continue. If we are unable to adequately respond to, or we are not perceived as adequately responding to, existing or new requirements or demands, customers and consumers may choose to purchase products from another company or a competitor. Increased requirements and costs to comply with these requirements, such as climate change regulations and international accords may also cause disruptions in or higher costs associated with manufacturing or distributing our products. Any failure to achieve our ESG goals or a perception of our failure to act responsibly or to effectively respond to new, or changes in, legal or regulatory requirements relating to ESG matters could adversely affect our business, financial condition, results of operations and reputation. As a global company, we are subject to U. S. and foreign regulations, including environmental, health and safety laws, and industry- specific product certifications. Many of the products we sell are subject to product safety laws and regulations in various jurisdictions. These laws and regulations specify the maximum allowable levels of certain materials that may be contained in our products, provide statutory prohibitions against misbranded and adulterated products, establish ingredients and manufacturing procedures for certain products, specify product safety testing requirements, and set product identification, labeling and claim requirements. For example, thermometers distributed by our Beauty & Wellness segment must comply with various regulations governing the production and distribution of medical devices. Significant new regulations, material changes to existing regulations, or greater oversight, enforcement or changes in interpretation of existing regulations, could further delay or interrupt distribution of our products in the U. S. and other countries, result in fines or penalties or cause our costs of compliance to increase. We cannot guarantee that our products will receive regulatory approval in all countries. Similarly, some of our Beauty & Wellness segment' s customers require that our hair appliances comply with various safety certifications, including UL certifications. Significant new certification requirements or changes to existing certification requirements could further delay or interrupt distribution of our products, or make them more costly to produce. We are not able to predict the nature of potential changes to, or enforcement of laws, regulations, product certification requirements, repeals or interpretations. Nor are we able to predict the impact that any of these changes would have on our business in the future. Further, if we were found to be noncompliant with applicable laws and regulations in these or other areas, we could be subject to governmental or regulatory actions, including fines, import detentions, injunctions, product withdrawals or recalls or asset seizures, any of which could have a material adverse effect on our business, results of operations and financial condition. Additionally, some **of our** product lines ~~within our Beauty & Wellness segment~~ are subject to product identification, labeling and claim requirements, which are monitored and enforced by regulatory agencies, such as the EPA, U. S. Customs and Border Protection, the U. S. Food and Drug Administration, and the U. S. Consumer Product Safety Commission. As discussed elsewhere in this Annual Report, during fiscal 2022, we were in discussions with the EPA regarding the compliance of packaging claims on certain of our products in the air and water filtration categories and a limited subset of humidifier products within the Beauty & Wellness segment that are sold in the U. S. As a result of these packaging compliance discussions, we voluntarily implemented a temporary stop shipment action on the impacted products as we worked with the EPA towards an expedient resolution. We resumed normalized levels of shipping of the affected inventory during fiscal 2022 and we completed the repackaging **and relabeling** of our existing inventory of impacted products during fiscal 2023. Additionally, as a result of continuing dialogue with the EPA, we executed further repackaging and relabeling plans on certain additional humidifier products and certain additional air filtration products, which were also completed during fiscal 2023. Although, we ~~are~~ **have** not ~~aware~~ **been notified** of any fines or penalties ~~related to this matter~~ imposed against us by the EPA **related to this matter** , there can be no assurances that such fines or penalties will not be imposed **in the future** . Additional impacts or more pronounced adverse impacts may arise that we are not currently aware of today. As a result, our business, results of operations and financial condition could be adversely and materially impacted in ways that we are not able to predict today. For additional information refer to Item 7., " Management' s Discussion and Analysis of Financial Condition and Results of Operations, " including " EPA Compliance Costs " in this Annual Report. Global legal developments regarding privacy and data security could result in changes to our business practices, penalties, increased cost of operations, or otherwise harm our business. As a global company, we are subject to global privacy and data security laws, regulations, and codes of conduct that apply to our various business units. These laws and regulations may be inconsistent across jurisdictions and are subject to evolving and differing interpretations. Government regulators, privacy advocates and class action attorneys are increasingly scrutinizing how companies collect, process, use, store, share and transmit personal data. This increased scrutiny may result in new interpretations of existing laws, thereby further impacting our business. New and emerging global and local laws on privacy, data and related technologies, as well as industry self- regulatory codes, are creating new compliance obligations and expanding the scope of potential liability, either jointly or severally with our customers and suppliers. While we have invested in readiness to comply with applicable requirements, these new and emerging laws, regulations and codes may affect our ability to reach current and prospective consumers, to respond to consumer requests under such laws (such as individual rights of access, correction, and deletion of their personal information), and to implement our business models effectively. The costs of compliance or failure to comply with such laws, regulations, codes of conduct and expectations could have a material adverse impact on our financial condition and results of operations .If significant tariffs or other restrictions are placed on imports from China,Mexico or Vietnam or any retaliatory trade measures are taken by China,Mexico or Vietnam,our business and results of operations could be materially and adversely affected.All of our products are manufactured by unaffiliated manufacturers,most of which are located in China,Mexico,Vietnam and the U.S.This concentration exposes us to risks associated with doing business globally,including changes in tariffs.Any alteration of trade agreements and terms between China,Mexico,Vietnam and the U.S.,including limiting trade with China,Mexico and Vietnam,imposing additional tariffs on imports from China,Mexico or Vietnam and potentially imposing other restrictions on imports from China,Mexico or Vietnam to the U.S.may result in further or higher tariffs,or retaliatory trade measures by China,Mexico or Vietnam,all of which could have a material adverse effect on our business and operating results . Under current U. S. federal income tax law, tax treatment of our non- U. S. income is dependent on whether we are classified as a " controlled foreign corporation " for U. S. federal income tax purposes. Changes in the composition of our stock ownership could have an impact on our classification. If our classification were to change, it could have a material adverse effect on the largest U. S. shareholders and, in turn, on our business. A non- U. S. corporation, such as ours, will constitute a " controlled foreign corporation " or " CFC " for U. S. federal income tax purposes if its largest U. S. shareholders together own more than 50 percent of the stock outstanding. A U. S. shareholder is defined as any U. S. person who owns directly, indirectly, or constructively: (1) 10 percent or more of the total combined voting power of all classes of stock, or (2) 10 percent or more of the total value of shares of all classes of stock. If the IRS or a court determined that we were a CFC at any time during the tax year, then each of our U. S. shareholders as defined above would be required to include in gross income for U. S. federal income tax purposes its pro rata share of our " subpart F income " (and the subpart F income of any of our subsidiaries determined to be a CFC) for the period during which we (and our non- U. S. subsidiaries) were deemed a CFC. In addition, any gain on the sale of our shares realized by such a shareholder may be treated as ordinary income to the extent of the shareholder' s proportionate share of our and our CFC subsidiaries' undistributed earnings and profits accumulated during the shareholder' s holding period of the shares while we were deemed to be a CFC. Legislation enacted in Bermuda and Barbados in response to the EU' s review of harmful tax competition could adversely affect our operations. Our jurisdiction of organization is Bermuda and one of our subsidiaries is organized in Barbados, two of the countries identified in the EU Economic and Financial Affairs Council (" ECOFIN ") report issued in December 2017 listing non- cooperative tax jurisdictions. In response to the ECOFIN report, " economic substance " legislation was enacted in Bermuda and Barbados and ECOFIN subsequently declared that both countries " cooperate with the EU " and are considered to have " implemented all commitments. " The economic substance legislation in each of Bermuda and Barbados requires certain entities engaged in " relevant activities " in that country to maintain a substantial economic presence in the country, and to satisfy economic substance requirements. The list of " relevant activities " in the respective statutes includes carrying on as a business any one or more of several enumerated activities, such as headquarters, shipping, distribution and service center, intellectual property and holding entities. Any entity that is required to satisfy economic substance requirements must file a declaration with the Bermuda Registrar of Companies and the Ministry of International Business and Industry in Barbados, as applicable. Although the local authorities have released some implementing guidelines, the impact of the foregoing legislation and developments is unclear, including how the requirements will be measured and whether additional or revised requirements may be enacted by Bermuda or Barbados. Failure to comply with the economic substance requirements could result in automatic disclosure of relevant information to competent authorities in the relevant EU member state or other jurisdiction in which the Company has its holding entity, its ultimate parent entity or an owner or beneficial owner. Other sanctions include financial penalties, restriction or regulation of business activities and / or being struck off as a registered entity in Bermuda or Barbados. We cannot predict the effect of Bermuda' s or Barbados' s current or future economic substance requirements on our business, which may impact the manner and jurisdictions in which we operate, and which could adversely affect our business, financial condition or results of operations. Significant judgment is required to determine our effective tax rate and evaluate our tax positions. We provide for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement criteria prescribed by applicable accounting standards. Fluctuations in federal, state, local and foreign taxes or a change to uncertain tax positions, including related interest and penalties, may impact our effective tax rate and financial results. Additionally, we are subject to audits in the various taxing jurisdictions in which we conduct business. In cases where audits are conducted and issues are raised, a number of years may elapse before such issues are finally resolved. Unfavorable resolution of any tax matter could increase the effective tax rate, which could have an adverse effect on our operating results and cash flow. For additional information regarding our taxes, see Note ~~19~~ **18** to the accompanying consolidated financial statements . If significant tariffs or other restrictions...... effect on our business and operating results . Our business involves the potential for product recalls, product liability and other claims against us, which could materially and adversely affect our business, operating results and financial condition. We are, from time to time, involved in various claims, litigation matters and regulatory proceedings that arise in the ordinary course of our business and that could have a material adverse effect on us. These matters may include personal injury and other tort claims, deceptive trade practice disputes, intellectual property disputes (including the Patent Litigation and ITC Action (each as defined below) regarding our PUR gravity- fed water filters), product recalls, contract disputes, warranty disputes, employment and tax matters and other proceedings and litigation, including class actions. It is not possible to predict the outcome of pending or future litigation. As with any litigation, it is possible that some of the actions could be decided unfavorably, resulting in significant liability and, regardless of the ultimate outcome, can be costly to defend. Our results and our business could also be negatively impacted if one of our brands suffers substantial damage to its reputation due to a significant product recall or other product- related litigation and if we are unable to effectively manage real or perceived concerns about the safety, quality, or efficacy of our products. We also face exposure to product liability and other claims in the event that one of our products is alleged to have resulted in property damage, bodily injury or other adverse effects. Although we maintain liability insurance in amounts that we believe are reasonable, that insurance is, in most cases, subject to large self-insured retentions for which we are responsible. We cannot provide assurance that we will be able to maintain such insurance on acceptable terms, if at all in the future, or that product liability or other claims will not exceed the amount of insurance coverage, or that all such matters would be covered by our insurance. As a result, these types of claims could have a material adverse effect on our business, operating results and financial condition .Significant increases in the costs and availability of raw materials,energy and transportation may negatively affect our operating results.Our suppliers purchase significant amounts of metals and plastics to manufacture our products.In addition,they also purchase significant amounts of electricity to supply the energy required in their production processes.Global political instabilities and tensions and many other factors may **increase** ~~drive up~~ fuel prices resulting in higher transportation prices and product costs.We are heavily dependent on inbound sea,rail and truck freight. **In the past,** ~~Disruptions~~ **disruptions** in the global supply chain and freight networks ~~,has,and may continue to increase~~ **increased** our cost of goods sold and certain operating expenses **and any future disruptions could have a material adverse impact on our costs** .The cost of raw materials,energy and transportation,in the aggregate,represents a significant portion of our cost of goods sold and certain operating expenses,which we may not be able to pass on to our customers.Our operating results could be adversely affected by future increases in these costs.Additionally,the loss or disruption of essential manufacturing and supply elements such as raw materials or other finished product components,restricted transportation or increased freight costs,reduced workforce,or other manufacturing and distribution disruption could adversely impact our ability to meet our customers' needs ~~.We need sufficient sources of liquidity to fund~~ . A significant portion of our non- current assets consists of goodwill and intangible assets recorded as a result of past acquisitions. We do not amortize goodwill and indefinite-lived intangible assets, but rather review them for impairment on an annual basis or more frequently whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We review intangible assets with definite lives and long- lived assets held and used for impairment if a triggering event occurs during the reporting period. We evaluate any long- lived assets held for sale quarterly to determine if fair value less cost to sell has changed during the reporting period. We record impairment charges to the extent the carrying values of these assets are not recoverable in accordance with the applicable accounting standards. Considerable management judgment is necessary in reaching a conclusion regarding the reasonableness of fair value estimates, evaluating the most likely impact of a range of possible external conditions, considering the resulting operating changes and their impact on estimated future cash flows, determining the appropriate discount factors to use, and selecting and weighting appropriate comparable market level inputs. The recoverability of these non- current assets is dependent upon achievement of our projections and the continued execution of key initiatives related to revenue growth and profitability. The rates used in our projections are management' s estimate of the most likely results over time, given a wide range of potential outcomes. The assumptions and estimates used in our impairment testing involve significant elements of subjective judgment and analysis by our management. While we believe that the assumptions we use are reasonable at the time made, changes in business conditions or other unanticipated events and circumstances may occur that cause actual results to differ materially from projected results and this could potentially require future adjustments to our asset valuations. Events and changes in circumstances that may indicate there is impairment and which may indicate interim impairment testing is necessary include, but are not limited to: strategic decisions to exit a business or dispose of an asset made in response to changes in economic, political and competitive conditions; the impact of the economic environment on our customer base and on broad market conditions that drive valuation considerations by market participants; our internal expectations with regard to future revenue growth and the assumptions we make when performing our impairment reviews; a significant decrease in the market price of our assets; a significant adverse change in the extent or manner in which our assets are used; a significant adverse change in legal factors or the business climate that could affect our assets; an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset; and significant changes in the cash flows associated with an asset. As a result of such circumstances, we may be required to revise certain accounting estimates and judgments related to the valuation of goodwill, indefinite- lived and definite- lived intangible assets and other long- lived assets, which could result in material impairment charges. Any such impairment charges could have a material adverse effect on our results of operations . Significant increases in the costs and...... it is a comparable substitute for LIBOR . Our operating results may be adversely affected by foreign currency exchange rate fluctuations. The U. S. Dollar is the functional currency for the Company and all of its subsidiaries. Changes in the relation of other foreign currencies to the U. S. Dollar will affect our sales and profitability and can result in exchange losses because we have operations and assets located outside the U. S. We transact a portion of our international business in currencies other than the U. S. Dollar (" foreign currencies "). Such transactions include sales and operating expenses. As a result, portions of our cash, trade accounts receivable and trade accounts payable are denominated in foreign currencies. Accordingly, foreign operations will continue to expose us to foreign currency exchange rate fluctuations, which may result in the recognition of foreign exchange losses upon remeasurement to U. S. Dollars. Additionally, we purchase a substantial amount of our products from Chinese manufacturers in U. S. Dollars, who source a significant portion of their labor and raw materials in Chinese Renminbi. The Chinese Renminbi has fluctuated against the U. S. Dollar in recent years. During fiscal ~~2023~~ **2024** , the average exchange rate of the Chinese Renminbi weakened against the U. S. dollar by approximately ~~6~~ **5** % compared to the average rate during fiscal ~~2022~~ **2023** . Chinese Renminbi currency fluctuations have the potential to add volatility to our product costs over time. Where operating conditions permit, we seek to reduce foreign currency risk by purchasing most of our inventory with U. S. Dollars and by converting cash balances denominated in foreign currencies to U. S. Dollars. We use derivative financial instruments including forward contracts and cross- currency debt swaps to mitigate certain foreign currency exchange rate risk inherent in our transactions denominated in foreign currencies. It is not practical for us to mitigate all our exposures, nor are we able to accurately project the possible effect of foreign currency remeasurement on our operating results or future net income due to our constantly changing exposure to various foreign currencies, difficulty in predicting fluctuations in foreign currency exchange rates relative to the U. S. Dollar and the significant number of currencies involved. The impact of future foreign currency exchange rate fluctuations on our results of operations cannot be accurately predicted. Accordingly, there can be no assurance that foreign currency exchange rates: • will be stable in the future; • can be mitigated with currency hedging or other risk management strategies; or • will not have a material adverse effect on our business, operating results and financial condition. ~~our ability to meet our customers' needs.~~ We need sufficient sources of liquidity to fund our working capital requirements,service our outstanding indebtedness and finance business opportunities.Without sufficient liquidity,we could be forced to curtail our operations,or we may not be able to pursue business opportunities.The principal sources of our liquidity are funds generated from operating activities,available cash, **and** credit facilities ~~,and other debt arrangements~~ .If our sources of liquidity do not satisfy our requirements,we may need to seek additional financing.The future availability of financing will depend on a variety of factors,such as economic and market conditions,the reaction by banks and financial institutions to a public health crisis (such as pandemics and epidemics),the regulatory environment for banks and other financial institutions,the availability of credit and our reputation with potential lenders.Further,disruptions in national and international credit markets,including adverse developments impacting the financial services industry such as the recent bank closures and investor concerns regarding the U.S.or international financial systems,could result in limitations on credit availability,tighter lending standards,higher interest rates on consumer and business loans,and higher fees associated with obtaining and maintaining credit availability.Disruptions may also materially limit consumer credit availability and restrict credit availability to us and our customer base.In addition,in the event of disruptions in the financial markets,current or future lenders may become unwilling or unable to continue to advance funds under any agreements in place,increase their commitments under existing credit arrangements or enter into new financing arrangements.The Federal Open Market Committee increased the benchmark interest rate **by 75 basis points during fiscal 2024**

and by 450 basis points during fiscal year 2023.If interest rates continue to increase and adverse economic changes occur,our access to credit on favorable interest rate terms may be impacted.In an economic downturn,we may also be unable to raise capital through debt or equity financings on terms acceptable to us or at all.Additionally,in challenging and uncertain economic environments,we cannot predict when macroeconomic uncertainty may arise,whether or when such circumstances may improve or worsen or what impact such circumstances could have on our business and our liquidity requirements.These factors could materially adversely affect our liquidity,costs of borrowing and our ability to pursue business opportunities or grow our business,and threaten our ability to meet our obligations as they become due.In addition,covenants in our debt ~~agreements~~ **agreement** could restrict or delay our ability to obtain additional financing,potentially limiting our ability to adjust to rapidly changing market conditions or respond to business opportunities,or in the event of a failure to comply with such covenants,could result in an event of default,which if not cured or waived,could have a material adverse effect on us.We may also assume or incur additional debt,including secured debt,in the future in connection with,or to fund,future acquisitions or for other operating needs.In addition,our variable rate debt and related interest swaps use the Secured Overnight Financing Rate (" SOFR "),a rate equal to the secured overnight financing rate as administered by the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate),as a benchmark for establishing interest rates.SOFR is a backward-looking measure,calculated based on short- term repurchase agreements,backed by U.S.Treasury securities.As such,if interest rates were to continue to increase,our debt service obligations on variable rate debt subject to SOFR would increase,which could negatively impact our net income,cash flows and financial condition.SOFR began in April 2018,and it therefore has a limited history.The future performance of SOFR may be difficult to predict accurately because of limited historical performance data.Prior observed patterns,if any,in the behavior of market variables and their relation to SOFR,such as correlations,may change in the future.In addition,the administrator of SOFR may make methodological or other changes that could change the value of SOFR.Uncertainty as to SOFR or changes to SOFR will affect the interest rates of our financial instruments linked to SOFR.Furthermore,the composition and characteristics of SOFR are not the same as those of LIBOR,which was previously used as a benchmark for our variable rate debt and which was a forward- looking measure,based on bank estimates of borrowing costs.As a result of these and other differences,there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time,and there is no guarantee that it is a **comparable substitute for LIBOR.** From time to time, we may provide financial projections to our shareholders, lenders, investment community, and other stakeholders of our future sales and net income. Since we do not require long- term purchase commitments from our major customers and the customer order and ship process is very short, it is difficult for us to accurately predict the demand for many of our products, or the amount and timing of our future sales, related net income and cash flows. Our projections are based on management' s best estimate of sales using historical sales data and other relevant information available at the time. These projections are highly subjective since sales to our customers can fluctuate substantially based on the demand of their retail consumers and related ordering patterns, as well as other risks described in this Annual Report. Additionally, changes in consumer demand, retailer inventory management strategies, transportation lead times, supplier capacity, and raw material availability could make our inventory management and sales forecasting more difficult. Due to these factors, our future sales and net income could vary materially from our projections. We are dependent on discretionary spending, which is affected by, among other things, economic and political conditions, consumer confidence, interest, inflation and tax rates, a public health crisis (such as pandemics and epidemics), and financial and housing markets, which are all outside of our control. Consequently, these and other potential impacts we are not currently aware of could also cause future sales and net income to vary materially from our projections.