Risk Factors Comparison 2024-05-06 to 2023-03-28 Form: 10-K

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Investors in the Company should consider the following risk factors as well as the other information contained herein: RISKS RELATED TO BUSINESS STRATEGIES AND GLOBAL OPERATIONS We **We** depend on generating sufficient cash flows,together with our existing cash balances and availability under our credit facility,to fund our ongoing operations,capital expenditures,debt service requirements, ~~and any future~~ share repurchases ~~or~~ **and** payment of dividends.Our ability to fund our ongoing operations,capital expenditures,debt service requirements, ~~and any future~~ share purchase programs ~~or~~ **and** payment of dividends will depend on our ability to generate cash flows.Our cash flows are dependent on ~~,and are affected by,~~ many factors,including:• seasonal fluctuations in our net sales and net income;• the continued operation of our store fleet and e-commerce websites;• the timing of inventory purchases for upcoming seasons,such as when to purchase merchandise for the back- to- school season;• vendor and other supplier terms and related conditions,which may be less favorable to us as a smaller company in comparison to larger companies;and • consumer sentiment,general business conditions,including the high levels of inflation **currently being** experienced ~~in Fiscal 2023~~ , **and macro-** ~~macroeconomic~~ ----- **economic** ~~uncertainties~~ **uncertainty** or ~~slowdowns~~ - **slowdown** ~~,and geopolitical conditions~~ ,including as a result of events such as acts of terrorism,effects of war,pandemics,or other health issues **such as COVID- 19** .Most of these factors are beyond our control.It is difficult to predict the impact that general economic conditions,including the effects of **the COVID- 19 pandemic and** inflation ~~and geopolitical conditions~~ ,will continue to have on consumer spending and our financial results.However,we believe that they could continue to result in reduced spending by our target customer,which would reduce our revenues and our cash flows from operating activities from those that otherwise would have been generated.In addition,steps that we may take to limit cash outlays,such as delaying the purchase of inventory,may not be successful or could delay the arrival of merchandise for future selling seasons,which could reduce our net sales or profitability.If we are unable to generate sufficient cash flows,we may not be able to fund our ongoing operations,planned capital expenditures,debt service requirements,or ~~any future~~ share repurchases,and we may be required to seek additional sources of liquidity **.Furthermore,as a retail company,we are inherently subject to the risk of inventory loss and theft.These losses may be caused by error or misconduct of associates,customers,vendors or other third parties,including through organized retail crime and professional theft.Since the onset of the COVID- 19 pandemic,the retail industry** ~~as~~ **has** ~~we did~~ **generally experienced an increase** in ~~Fiscal 2023~~ **inventory shrinkage,** and **there** ~~are continuing to do so in Fiscal 2024.We require continued access to capital and our business and operating results have been and~~ can be **no assurance that** ~~affected by factors such as~~ the ~~availability,terms~~ **measures we are taking will effectively reduce inventory shrinkage.Although some level** of **inventory shrinkage is** ~~and~~ - **an unavoidable** cost of ~~capital~~ **doing business** , ~~increases in interest~~ **if we were to experience higher** rates **of inventory shrinkage** or **incur increased security costs to combat inventory theft,it could have** a ~~reduction in credit rating.We are party to~~ **material adverse effect on our business,financial condition,results of operations** ~~an~~ **and cash flows** ~~Amended and Restated Credit Agreement dated May 9,2019 (as amended from time to time,the " Credit Agreement "),with Wells Fargo,National Association (" Wells Fargo "),Bank of America,N~~ . ~~A.,HSBC Bank (USA),N.A.,JPMorgan Chase Bank,N.A.,Truist Bank and PNC Bank,National~~ may not be able to successfully execute our business strategies. Our strategic initiatives currently involve a focus on (i) delivery of product of a quality and value that resonates with our customers, (ii) scaling and optimizing our infrastructure to support our e- commerce business given the continued shift in our customers' shopping patterns to online shopping, and (iii) optimization of our North American retail store fleet. We will continue to implement and refine our business systems transformation initiatives designed to increase sales and profitability. Our business transformation through technology initiative has two key components: digital transformation and inventory management. With respect to digital transformation, we continue to implement a personalized customer contact strategy and are scaling our digital infrastructure to support increased digital demand. These initiatives require the execution of complex projects involving significant systems and operational changes, which place considerable demands on our management and our information and other systems. Our ability to successfully implement and capitalize on these projects is dependent on management' s ability to manage these projects effectively and implement and operate them successfully, without adversely affecting the subject and / or other systems, and on our employees' ability to operationalize the required changes. If we fail to implement these projects effectively, including aligning them with our sourcing, distribution and logistics operations, if we experience significant delay, cost overruns, or unforeseen costs, or if the necessary operational changes and change management are not enacted properly, we may not realize the return on our investments that we anticipate, and we may adversely affect the operation of other systems, and our business, financial position, results of operations, and cash flows could be materially adversely affected. We will continue our store fleet optimization program in Fiscal ~~2023~~ **2024** , which is intended to address the accelerated consolidation of the brick and mortar retail channel resulting from the COVID- 19 pandemic and to increase the profitability of our existing retail store fleet. Since the program was announced in 2013, we have closed ~~586~~ **676** stores, including ~~59~~ **90** stores closed in Fiscal ~~2022~~ **2023** . Failure to properly identify or measure underperforming retail stores, failure to achieve anticipated sales transfer rates from closed stores to remaining retail stores and / or e- commerce sales, and failure to properly identify and analyze customer segmentation and spending patterns could have a material adverse effect on our business, financial position, results of operations, and cash flows. In addition, pursuant to **U. S.** GAAP, we are required to recognize an impairment charge when circumstances indicate that the carrying value of long- lived assets may not be recoverable. If a determination is made that the carrying value of a long- lived asset is not recoverable over its estimated useful life, the asset is written down to its estimated fair value. Consumer demand, behavior, taste, and purchasing trends, as well as geopolitical conflicts and economic and political stability may differ in international markets and / or in the distribution channels through which our wholesale customers sell products ~~, including as a result of the COVID- 19 pandemic~~ , and, as a result, sales of our products may not be successful or meet our expectations, or the margins on those sales may not be in line with those we currently anticipate. We may also face difficulties integrating foreign business operations and / or wholesaling operations with our current sourcing, distribution, information technology systems, and other operations. In addition, our expanded marketing and advertising strategies to promote sales, including the sponsorship of sweepstakes, contests and donations, and an increased online presence through collaborations with social media influencers, may not generate sufficient interest in our products while exposing us to other risks. Any of these challenges could hinder our success in new and existing markets or new and existing distribution channels. There can be no assurance that we will successfully complete any planned expansion or that any new business will be profitable or meet our expectations. In addition, a wholly- owned subsidiary of the Company acquired certain intellectual property and related assets of Gymboree Group, Inc. and related entities, including worldwide rights to the name " Gymboree ". We have relaunched the Gymboree brand to expand our business across our retail stores, e- commerce, international, and wholesale businesses. We also launched the Sugar & Jade brand in November 2021 and ~~more recently,~~ launched the PJ Place brand in October 2022. The positioning of the Gymboree, Sugar & Jade and PJ Place brands and their products, relative to our existing products, the fashion choices we make with respect to our products, and our ability to integrate the Gymboree, Sugar & Jade and PJ Place brands and their products into our existing marketing, sourcing, inventory, sales / e- commerce, customer relations, and logistics operations and systems will be critical to our ability to leverage all of these brands to expand our business. In addition, pursuant to **U. S.** GAAP, we are required to recognize an impairment charge when circumstances indicate that the carrying value of our indefinite- lived Gymboree tradename asset may not be recoverable. If a determination is made that the carrying value of the Gymboree tradename asset is not recoverable, the asset is written down to its estimated fair value. **In Fiscal 2023, we recorded an impairment charge of $ 29. 0 million on the Gymboree tradename, primarily due to an increase in the discount rate used to value the tradename and reductions in Gymboree sales forecasts.** A failure to properly execute our plans and business strategies, delays in executing our plans and business strategies, increased costs associated with executing on our plans and business strategies, or failure to identify alternative strategies could have a material adverse effect on our business, financial position, results of operations, and cash flows. We depend on generating sufficient cash flows...... results of operations and cash flows. A wide variety of factors can cause a decline in consumer confidence and spending which could have a material adverse effect on the retail and apparel industries and our business, financial position, results of operations, and cash flows. The apparel industry is cyclical in nature and is particularly affected by adverse trends in the general economy. Purchases of apparel and related merchandise are generally discretionary and, therefore, tend to decline during recessionary, inflationary and weak economic periods and also may decline at other times ~~, including as a result of the COVID- 19 pandemic~~ . This is particularly true with our target customer who is a value conscious, lower to middle income mother buying for infants and children based on need rather than based on fashion, trend, or impulse. High inflation, high unemployment levels, increases in tax rates, declines in real estate values, availability of credit, volatility in the global financial markets, and the overall level of consumer confidence have negatively impacted, and could in the future negatively impact, the level of consumer spending for discretionary items. This could adversely affect our business as it is dependent on consumer demand for our products. In North America, we have experienced and continue to experience a decrease in customer traffic, including at shopping malls, and a highly promotional environment. If the current macroeconomic environment deteriorates further, ~~including as a result of the COVID- 19 pandemic,~~ there will likely be a negative effect on our revenues, operating margins, and earnings which could have a material adverse effect on our business, financial position, results of operations, and cash flows. In addition to the economic environment, there are a number of other factors that could contribute to reduced customer traffic and / or reduced levels of consumer confidence and spending, such as actual or potential terrorist acts, including domestic terrorism, natural disasters, severe weather, pandemics or other health issues ~~, such as COVID- 19~~ , political disruption, war, or geopolitical conflicts. These occurrences create significant instability and uncertainty in the United States and elsewhere in the world, causing consumers to defer purchases or to not shop in retail stores in shopping malls, or preventing our suppliers and service providers from providing required products, services, or materials to us. These factors could have a material adverse effect on our business, financial position, results of operations, and cash flows. Fluctuations in the prices of raw materials, labor, energy, and services could result in increased product and / or delivery costs. Our profitability and cash flows may decline as a result of increasing pressure on margins. The apparel industry is subject to significant pricing pressure caused by many factors, including intense competition, the highly promotional retail environment, the financial health of competitors, changes in consumer demand, and macroeconomic conditions. If these factors cause us to reduce our sales prices and we fail to sufficiently reduce our product costs or operating expenses, our profitability and cash flows could decline. Increases in the price of raw materials, including cotton and other materials used in the production of fabric, clothing, footwear, and accessories, as well as volatility and increases in labor (including increases in minimum wages and wage rates as a result of changes in laws or business practices), energy, shipping or distribution costs, pandemics or other health issues, ~~such as COVID- 19,~~ and other costs, **have resulted, and** could **continue to** result **,** in significant increases in operating costs, as well as cost increases for our products **and their importation from our foreign sources of supply** and their distribution to our and our third- party partners' distribution centers, retail locations, international franchise partners, and wholesale and retail customers. To the extent we are unable to offset any such increased costs through value engineering or price increases, such increased costs could have a material adverse effect on our business, financial position, results of operations, and cash flows. In addition, a shortage of labor or an increase in the cost of labor for our retail stores and / or such distribution centers could also have a material adverse effect on our business, financial position, results of operations, and cash flows. Damage to, or a prolonged interruption of activities at, any facility that we use in our business operations could have a material adverse effect on our business. Our single U. S. corporate headquarters is located in Secaucus, New Jersey. One of our company- operated distribution centers is located in Fort Payne, Alabama and supports our U. S. stores, wholesale, and e- commerce shipments in the U. S. **We had** ~~Another~~ **another** company- operated distribution center ~~is~~ located in Mississauga, Ontario ~~and~~ **, which** ~~supports~~ **supported** all of our store fulfillment activities in Canada **. Its lease expired in April 2024 and we moved these operations to the United States to our current distribution center in Alabama as of the end of the first quarter of Fiscal 2024** . We also use a third- party warehouse provider, with distribution centers located in Brownsburg, Indiana, to support our U. S. e- commerce operations, and Mississauga, Ontario to support our Canadian e- commerce operations. Our international franchise partners receive the vast majority of shipments of merchandise from our third- party warehouse provider located in Asia. On occasion, we may utilize additional facilities to support our seasonal warehousing needs. Damage to, or prolonged interruption of operations at, any of the Company- operated or third- party facilities due to a work stoppage, pandemics or other health issues ~~, such as COVID- 19~~ , weather conditions such as a tornado, hurricane or flood, other natural disaster, fire, or other event could have a material adverse effect on our business, financial position, results of operations, and cash flows. We depend on our relationships with unaffiliated manufacturers, suppliers, and transportation companies, both domestically and internationally. Our inability to maintain relationships with any of these entities, the disruption to or failure of any of their businesses, their failure to operate in a lawful or ethical manner, and the risks associated with international business, could have a material adverse effect on our business, financial position, results of operations, and cash flows. We do not own or operate any manufacturing facilities and, therefore, are dependent upon independent third parties for the manufacture of all of our products. The vast majority of our products are currently manufactured to our specifications, pursuant to purchase orders, by independent manufacturers located primarily in Asia and Africa. We have no exclusive or long- term contracts with our manufacturers. We compete with other companies for manufacturing facilities, many of which have greater financial resources than we have or pay a higher unit price than we do. If an existing manufacturer of merchandise must be replaced for any reason, we will have to find alternative sources of manufacturing or increase purchases from our other third- party manufacturers, and there is no assurance we will be able to do so or do so on terms that are acceptable to us. We do not use commissioned buying agents to source any products. Although we believe that we have the in- house capability to more efficiently source all of our products, our inability to do so, or our inability to find adequate sources to support our current needs for merchandise and future growth, could have a material adverse effect on our business, financial position, results of operations, and cash flows. Our merchandise is shipped directly from manufacturers through third- party logistics providers to our or our third- party providers' distribution and fulfillment centers, and in turn, to our stores, our e- commerce customers, and our international franchise partners and wholesale customers. Our operating results depend, in material part, on the orderly, timely, and accurate operation of our shipping, receiving, and distribution processes, which depends, in material part, on our manufacturers' adherence to shipping schedules, the availability of ships, shipping containers and shipping routes, and our third- party providers' effective management of our domestic and international shipping functions, distribution processes, facilities, and capacity. If our agents, manufacturers, suppliers or freight operators experience negative financial consequences, our inability to use or find substitute providers to support our manufacturing and distribution needs in a timely manner could have a material adverse effect on our business, financial position, results of operations, and cash flows. Additionally, given that virtually all of our merchandise is purchased from foreign suppliers, we are subject to various risks of doing business in foreign markets and importing merchandise from abroad, including from less politically or socially stable and / or less developed countries, such as: • new tariffs or imposition of duties, taxes, and other charges on or costs of relying on imports; • foreign governmental regulations, including, but not limited to, changing requirements in the course of dealing with regard to product safety, product testing, environmental matters, employment, taxation, and language preference; • the failure of a direct or indirect vendor or supplier to comply with local laws or industry standards or ethical business practices, including worker safety (e. g., fire safety and building codes), worker rights of association, freedom from harassment and coercion, unauthorized subcontracting or use of forced, indentured or child labor, social compliance with health and welfare standards, and environmental matters; • financial, political, or societal instability, or military action, war or other conflict; • the rising cost of doing business in particular countries; • pandemics or other health issues ~~, such as COVID- 19~~ ; • bankruptcy or insolvency of our vendors; • fluctuation of the U. S. dollar against foreign currencies; • pressure from or campaigns by non- governmental organizations or other persons, including on social media; • customer acceptance of foreign produced merchandise; • developing countries with less or inadequate infrastructure; • new and existing legislation relating to use of forced, indentured or child labor by unaffiliated manufacturers or suppliers, import quotas or other restrictions that may limit or prevent the import of our merchandise; • changes to, or repeal, suspension or discontinuation of, trade agreements, trade legislation and / or trade preferences; • significant delays in the manufacture, transportation and delivery of cargo due to **epidemics or pandemics** ~~COVID- 19 and other health issues~~ , port security considerations, political unrest, war, weather conditions, or cyber- security events; • disruption of imports by labor disputes and local business or unethical practices; • regulations under the United States Foreign Corrupt Practices Act; and • increased costs of or shortages of equipment, containers for shipments, or transportation. In addition to the above, it is possible that other events beyond our control, both domestically and internationally, such as labor disputes, cybersecurity events or allegations of misconduct or unethical behavior affecting our unaffiliated manufacturers, suppliers, or transportation companies, a terrorist or similar act, military action, strike, weather conditions, natural disasters, pandemics or other health issues ~~, such as COVID- 19~~ , or government spending cuts, could result in delays or disruptions in the production, transportation and / or delivery of merchandise to our distribution centers or our stores, international franchise partners and wholesale customers, or the fulfillment of e- commerce orders to our customers, or require us to incur substantial additional costs, including in air freight, to ensure timely delivery. Any such event could have a material adverse effect on our business, financial position, results of operations, and cash flows. In an attempt to mitigate the above risks within any one region or one country, we maintain relationships with many manufacturers and suppliers in various countries. We cannot predict the effect that this, or the other factors noted above, in any region or country from which we import products could have on our business. If any of these factors rendered the conduct of business in a particular region or country undesirable or impractical, or if our current foreign manufacturing and supply sources ceased doing business with us or we ceased doing business with them for any reason and we were unable to find alternative sources of supply, we could experience a material adverse effect on our business, financial position, results of operations, and cash flows. Our vendor guidelines and code of conduct are designed to promote compliance with applicable law and industry standards and ethical business practices. We monitor our vendors' practices; however, we do not control these independent manufacturers, their business practices, their labor practices, their health and safety practices, the physical condition of their factories, worker dormitories or other facilities, the integrity of their information or other business systems, or from where they buy or otherwise source their raw materials or labor. The failure of our third- party manufacturers or suppliers, which we do not control, to address the risks described above, could result in accidents and practices that cause material disruptions or delays in production or delivery, the imposition of governmental penalties or restrictions, and / or material harm to our reputation, any of which could have a material adverse effect on our business, financial position, results of operations, and cash flows. We may experience disruptions at ports used to export our products from Asia, Africa, and other regions, or along the various shipping routes, or used as ports of entry in the United States and Canada. We currently ship the vast majority of our products by ocean. If a disruption occurs in the operation of ports through which our products are exported or imported, or along the various shipping routes, we and our vendors may have to ship some or all of our products from Asia, Africa, and other regions by air freight or to or from alternative shipping destinations in the United States or in foreign countries. Shipping by air is significantly more expensive than shipping by ocean and our profitability could be materially reduced. Similarly, shipping to or from alternative destinations could lead to significantly increased costs for our products. A disruption at ports (domestic or abroad) through which our products are exported or imported or along the various shipping routes could have a material adverse effect on our business, financial position, results of operations, and cash flows. Because certain of our subsidiaries operate outside of the United States, some of our revenues, product costs, and other expenses are subject to foreign economic and currency risks. We have store operations in Canada, a sourcing office in Hong Kong, sourcing operations in various locations in Asia and Africa, and store operations internationally through franchisees. The currency market has seen significant volatility in the value of the U. S. dollar against other foreign currencies. While our business is primarily conducted in U. S. dollars, we purchase virtually all of our products overseas, and we generate significant revenues in Canada in Canadian dollars. Cost increases caused by currency exchange rate fluctuations could make our products less competitive or have a material adverse effect on our profitability. Currency exchange rate fluctuations could also disrupt the business of the third- party manufacturers that produce our products, or franchisees that purchase our products, by making their purchases of raw materials or products more expensive and more difficult to finance. Changes in currency exchange rates affect the U. S. dollar value of the Canadian dollar denominated prices at which our Canadian business sells product. As a result, fluctuations in exchange rates impact the amount of our reported sales and expenses, which could have a material adverse effect on our business, financial position, results of operations, and cash flows. Additionally, we have foreign currency denominated receivables and payables that are not hedged against foreign currency fluctuations. When settled, these receivables and payables could result in significant transaction gains or losses. Acts of terrorism, effects of war, pandemics or other health issues, ~~such as COVID- 19,~~ natural disasters, other catastrophes, or political unrest could have a material adverse effect on our business. Threatened or actual acts of terrorism, including U. S. domestic terrorism, continue to be a risk to the U. S. and global economies. Terrorism and potential military responses, political unrest, war and other conflicts, natural disasters, pandemics or other health issues ~~, such as COVID- 19~~ , have disrupted and could disrupt commerce and impact our or our franchisees' ability to operate our stores in affected areas, produce our products in foreign countries, import our products from foreign countries, or provide critical functions necessary to the operation of our business. A disruption of commerce, or an inability to recover critical functions from such a disruption, could interfere with the production, shipment, or receipt of our merchandise in a timely manner or increase our costs to do so. Consequently, any such disruption could undermine consumer confidence, which could negatively impact consumer spending patterns or customer traffic, and thus have a material adverse effect on our business, financial position, results of operations, and cash flows. **We have franchise partners located in Middle- Eastern countries. When the current Israel- Palestine conflict began, our franchise partner in Israel had to shutter its stores temporarily. We are currently also providing a temporary hiatus on the collection of royalty payments from this franchise partner until December 2024. If the conflict continues** ~~For~~ - **or expands further into** ~~example, the outbreak of respiratory and~~ other ~~illnesses~~ **countries** , ~~including those caused by~~ **it could adversely affect our sales with this franchise partner and all** ~~the~~ **other** ~~COVID~~ **franchise partners in Middle** - **Eastern** ~~19 virus, has led to worldwide work and travel restrictions which in turn has led to textile mill and factory closures and delays in reopening, and delays in workers returning to work, which have affected our third- party manufacturers. This viral outbreak continues~~ -- **countries** ~~to make~~ **, and** it ~~difficult for our suppliers to source raw materials, manufacture goods, and export our products. If the severity and reach of these illnesses continues or increases, there may be significant and material disruptions to our supply chain and operations, and disruptions in the manufacture, shipment, and sale of our products, which would~~ **could** have a material adverse effect on our business, financial position, results of operations, and cash flows. Our success depends upon the service and capabilities of our management team. Changes in management or in our organizational structure, particularly in the most senior positions, or inadequate or ineffective management, could have a material adverse effect on our business. Our business and success is materially dependent on retaining members of our senior leadership team, including our chief executive officer, and other key individuals within the organization, to formulate and execute the Company' s strategic and business plans. Leadership changes can be inherently difficult to manage and may cause material disruption to our management team or our business operations and financial results. Senior level management establishes the " tone at the top " by which an environment of ethical values, operating style, and management philosophy is fostered. Changes in senior management could lead to an environment that lacks inspiration and / or a lack of commitment by our employees, which could have a material adverse effect on our business. Any disruption in, or changes to, our consumer credit arrangements, including our private label credit card agreement, may adversely affect the ability of our customers to obtain consumer credit. Credit card operations are subject to numerous federal and state laws that impose disclosure and other requirements upon the origination, servicing, and enforcement of credit accounts and limitations on the maximum amount of finance charges that may be charged by a credit provider **, such as the Consumer Financial Protection Bureau' s recent amendment to Regulation Z to limit the dollar amounts credit card companies can charge for late fees, which we expect could have a material adverse effect on the income and cash flow from our private label credit card program** . Additionally, during periods of increasing consumer credit delinquencies, financial institutions may reexamine their lending practices and procedures. There can be no assurance that the delinquencies being experienced by providers of consumer credit generally would not cause providers of third- party credit offered by us to decrease the availability of, or increase the cost of, such credit. Any of the above risks, individually or in aggregation, could have a material adverse effect on the way we conduct business and could materially negatively impact our business, financial position, results of operations, and cash flows. We are subject to customer payment- related risks that could increase our operating costs, expose us to fraud or theft, subject us to potential liability and potentially disrupt our business. We accept payments using a variety of methods, including cash, checks, credit and debit cards, Afterpay, ApplePay, PayPal, our private label credit card, and gift cards. Acceptance of these payment options subjects us to rules, regulations, contractual obligations and compliance requirements, including payment card association operating rules, certification requirements and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. These requirements may change over time or be reinterpreted, making compliance more difficult or costly. Although no system can completely prevent theft, security countermeasures have been deployed to reduce the potential for fraud and theft by criminals. If we fail to comply with applicable rules and regulations, we may be subject to fines or higher transaction fees and may lose our ability to accept online payments or other payment card transactions. If any of these events were to occur, our business, financial position, results of operations, and cash flows could be adversely affected. RISKS RELATED TO THE RETAIL AND APPAREL INDUSTRIES We may suffer material adverse business consequences if we are unable to anticipate, identify, and respond to merchandise trends, marketing and promotional trends, changes in technology, or customer shopping patterns. Profitability and our reputation could be materially negatively impacted if we do not adequately forecast the demand for our products and, as a result, create significant levels of excess inventory or insufficient levels of inventory. The apparel industry is subject to rapidly changing fashion trends and shifting consumer preferences, including the increase in online shopping. Our success depends, in material part, on the ability of our design, merchandising and IT teams to anticipate and respond to these changes for our brands and our global sourcing team to source from vendors that produce merchandise which has a compelling quality and value proposition for our customers. Our design, manufacturing, and sourcing process generally takes up to one year, during which time fashion trends and consumer preferences may further change. If we miscalculate either the demand for our merchandise or our customers' tastes or purchasing habits, we could experience materially increased costs and lower selling prices due to a need to dispose of excess inventory. Conversely, if we forecast demand for our products that is lower than actual demand, we may experience insufficient levels of inventory, increased costs to fulfill demand from alternative locations of inventory, and reputational damage. Further, it is necessary to develop and implement uses and scaling of technology addressing changes in customer buying behaviors and / or successful customer marketing programs, including loyalty and private label credit card programs and " buy- now- pay- later " programs. Failure to address any of the above risks could have a material adverse effect on our business, financial position, results of operations, and cash flows. Product liability costs, related claims, and the cost of compliance with consumer product safety laws in the U. S **.** and in Canada or our inability to comply with such laws could have a material adverse effect on our business and reputation. We are subject to regulation by the Consumer Product Safety Commission (" CPSC ") in the U. S., Health Canada in Canada, and similar state, provincial, and international regulatory authorities. Although we test the products sold in our stores, on our website, and to our international franchise partners and our wholesale customers, concerns about product safety, including, but not limited to, concerns about those manufactured in developing countries, may lead us to recall selected products, either voluntarily or at the direction of a governmental authority, and may lead to a lack of consumer acceptance or loss of consumer trust. Product safety concerns, recalls, or the failure to properly manage recalls, defects, or errors could result in governmental fines, rejection of our products by customers, damage to our reputation, lost sales, product liability litigation, and increased costs, any or all of which could harm our business and have a material adverse effect on our business, financial position, results of operations, and cash flows. The cost of compliance with current requirements and any future requirements of the CPSC, Health Canada, or other federal, state, provincial, or international regulatory authorities, consumer product safety laws, including initiatives labeled as " green chemistry " and regulatory testing, certification, packaging, labeling, and advertising and reporting requirements, or changes to existing laws could have a material adverse effect on our business, financial position, results of operations, and cash flows. In addition, any failure to comply with such requirements could result in significant penalties, litigation, or require us to recall products, any or all of which could have a material adverse effect on our business, reputation, financial position, results of operations, and cash flows. We face significant competition in the retail and apparel industries, which could negatively impact our business. The children' s apparel retail market is highly competitive, and we face heightened price and promotional competition. We compete in substantially all of our markets with Target Corporation, Old Navy, GapKids, and babyGap (each of which is a division of The Gap, Inc.), Carter' s, Inc., T. J. Maxx and Marshall' s (each of which is a division of TJX Companies, Inc.), Burlington Coat Factory, Inc., Kohl' s Corporation, Walmart Stores, Inc., and other department stores. We also compete with a wide variety of specialty stores, other national and regional retail chains, catalog companies, and e- commerce retailers, including Amazon. One or more of our competitors are present in virtually all of the areas in which we have stores. E- commerce only retailers generally do not incur the geographical limitations suffered by traditional brick and mortar stores, giving e- commerce only retailers a competitive advantage to and imposing significant pricing pressure on brick and mortar stores. In addition, while we view our business as a single omni- channel business, our e- commerce stores may divert sales from our brick and mortar stores. Many of our competitors are larger than us and have access to significantly greater financial, marketing, and other resources than we have. Increased competition, increased promotional activity, continuing economic pressure on and inflation affecting value- seeking consumers, and liquidation activities by bankrupt and other struggling retailers, including selling apparel, footwear, and accessory merchandise at substantial discounts, could also have a material adverse effect on our ability to compete successfully, and could have a material adverse effect on our business, reputation, financial position, results of operations, and cash flows. We may not be able to continue to compete successfully against existing or future competition. If our landlords should suffer financial difficulty or if we are unable to successfully negotiate acceptable lease terms, it could have a material adverse effect on our business, financial position, results of operations, and cash flows. If any of our landlords or their substantial tenants, such as anchor department stores, should suffer financial difficulty, it could render our landlords unable to fulfill their duties under our lease agreements and / or could render certain malls to experience reduced customer traffic. Such duties include providing a sufficient number of mall co- tenants, common area maintenance, utilities, and payment of real estate taxes. While we have certain remedies under our lease agreements, the loss of business that could result if a shopping center should close or if customer traffic were to significantly decline as a result of lost tenants or improper care of the facilities or due to macroeconomic effects, including ~~the COVID- 19 pandemic or~~ inflation, could have a material adverse effect on our business, financial position, results of operations, and cash flows. The leases for a substantial number of our retail stores come up for renewal each year. If we are unable to continue to negotiate acceptable lease and renewal terms, it could have a material adverse effect on......- based technology utilized by us, could have a material adverse effect on our business, financial position, results of operations, and cash flows. RISKS RELATED TO OUR STOCK AND STOCK PRICE Changes in our sales, comparable retail sales, margins, operating income, earnings per share, cash flows, and / or other results of operations could have a material adverse effect on the market price of our common stock **, which subsequently could lead to litigation** . Numerous factors affect our sales, comparable retail sales, margins, operating income, earnings per share, cash flows, and other financial results, including ~~the effects of the COVID- 19 pandemic,~~ unseasonable weather conditions, merchandise assortment and product acceptance, the retail price of our merchandise, fashion trends, customer traffic, number of visits to our e- commerce site, as well as related conversion, economic conditions in general, including inflation and consumer confidence, and the retail sales environment in particular, calendar shifts of holidays or seasonal periods, birth rate fluctuations, timing or extent of promotional events by our Company or by competitors and other competitive factors, including competitor bankruptcies, fluctuations in currency exchange rates, macro- economic conditions, and our success in and the cost of executing our business strategies. Unseasonable weather, for example, warm weather in the winter or cold weather in the spring over an extended period of time, or the occurrence of frequent or severe storms, may adversely affect our sales and, therefore, our comparable retail sales, operating income and earnings per share. The nature of our target customer heightens the effects of unseasonable weather on our sales. Our target customer is a value conscious, lower to middle income mother buying for infants and younger children primarily based on need rather than based on fashion, trend, or impulse. Therefore, for example, our target customer may not purchase warm weather spring clothing during an extended period of unseasonably cold weather occurring in what otherwise should be warmer weather months, particularly since infants and younger children tend to outgrow clothing at a faster rate than older children and adults. Our sales, comparable retail sales, margins, operating income, earnings per share, cash flows, and other financial results have fluctuated significantly in the past **(including during Fiscal 2023)** due to the factors cited above, and we anticipate that they may continue to fluctuate in the future, particularly in the highly competitive retail environment in which we operate, which may result in declines or delays in consumer spending. The investment and analyst community follows all of these financial markers closely and fluctuations in these results, or the failure of our results to meet investors' or analysts' models or expectations, **have had, and** may **continue to** have **,** a significant adverse effect on the price of our common stock. **Following any such change in** ~~The highly concentrated nature of our stock holdings could facilitate~~ the **price** ~~approval by stockholders of proposals which are contrary to positions supported by our Board of Directors or management. The top holders~~ of our common stock ~~are predominantly large multi~~ **, we have, and could in the future, be subject to litigation from our shareholders. For example, in February 2024, a putative class action was filed against us for violations of federal securities laws in the United States District Court of New Jersey. The complaint purported to assert claims under the federal securities laws, alleging that we had made materially false and / or misleading statements, and failed to disclose material adverse facts to our investors such that the price of our common stock dropped as a result. See " Item 3. Legal Proceedings " of this Form 10** - ~~national~~ **K for further information. Any adverse results and / or settlements from such litigation could have a material adverse effect on our business,** financial **position** ~~institutions. As of the end of Fiscal 2022~~ , ~~the top ten institutional holders~~ **results of operations, and cash flows. We have a controlling shareholder who** ~~own~~ **owns a majority** ~~over 50 %~~ of our outstanding shares of common stock **, and as a result controls all matters requiring shareholder approval** . ~~These holdings would permit~~ **Mithaq Capital SPC, a Cayman segregated portfolio company (" Mithaq "), owns and controls the voting power of approximately 56. 1 % of our outstanding shares of common stock. As long as Mithaq continues to control a majority of our outstanding common shares, it will be able to determine the outcome of all corporate actions requiring shareholder approval. Mithaq and its affiliates engage in a broad spectrum of activities. In the ordinary course of their business activities, Mithaq and its affiliates may engage in activities where their interests may not be the same as, or may conflict with, our interests or the interests of our other shareholders. Other shareholders will not be able to affect the outcome of any shareholder vote while Mithaq controls the majority of the voting power of our outstanding shares of common stock. As a result, Mithaq will be able to control, directly or indirectly and subject to applicable law, the composition of our Board of Directors, which in turn will be able to control all matters over which we have control, including, among others: • any determination with respect to our business direction and policies, including the appointment and removal of officers and directors; • the adoption of amendments to our certificate of incorporation or our bylaws; • any**

determinations with respect to financing, mergers, business combinations or dispositions of assets; • our financing and dividend policy, and the payment of dividends on our common stock, if any; • compensation and benefit programs and other human resources policy decisions; • changes to any other agreements that may adversely affect us; and • determinations with respect to tax matters. Because Mithaq' s interests may differ from ours or from those of our other shareholders, Mithaq' s decisions on these **matters** ~~institutions to approve proposals submitted to the vote of stockholders, which~~ may be contrary to ~~positions supported by~~ **other shareholders' expectations** ~~our~~ - **or** ~~Board~~ **preferences, and they may take actions that could be contrary to other shareholders' interests. So long as Mithaq beneficially owns a majority** of ~~Directors or~~ **our** ~~management~~ **outstanding shares of common stock, they will be able to control the outcome of all corporate actions requiring shareholder approval** . Our share price may be volatile. Our common stock is quoted on the Nasdaq Global Select Market. Stock markets in general have experienced, and are likely to continue to experience, price and volume fluctuations, which could have a material adverse effect on the market price of our common stock without regard to our operating performance. In addition, we believe that factors such as quarterly fluctuations in our financial results, other risk factors identified here, announcements or actions by other competitors, the overall economy, ~~including as affected by the COVID- 19 pandemic,~~ legislative, regulatory and other actions resulting from the Presidential administration or U. S. Congress, and the geopolitical environment could individually or in aggregation cause the price of our common stock to fluctuate substantially. We have experienced, and may experience, large " short " positions in our common stock relative to other publicly traded companies in our industry. The existence of a relatively large short position may result in substantial volatility in the trading price of our common stock, including due to an adverse impact on investors' and analysts' perceptions of our business and its prospects or due to " short covering " (relatively large purchases of our common stock). Purchasers of our common stock during periods of volatility, including as a result of " short covering " when the price of our common stock may rise rapidly, could later experience a significant decrease in stock price, eventually leading to a significant loss in value. Declarations of quarterly cash dividends, and the establishment of future record and payment dates, are at the discretion of our Board of Directors based on a number of factors, including future financial performance, general business and market conditions, and other investment priorities. If payment of dividends is resumed, any subsequent reduction or discontinuance by us of the payment of quarterly cash dividends could cause the market price of our common stock to decline ~~significantly disrupted~~ **.We have no current plans to pay regular cash dividends on our common stock for the foreseeable future.We have no current plans to pay regular cash dividends on our common stock for the foreseeable future.Declarations of cash dividends** ,and **the establishment of future record and payment dates,are at the discretion of our Board of Directors based on a number of factors,including future financial performance,general business and market conditions,and other investment priorities.If payment of dividends** is **resumed** ~~expected to continue to disrupt~~ , **any subsequent reduction** ~~our~~ - **or** ~~business~~ **discontinuance by us of the payment of quarterly cash dividends could cause the market price of our common stock to decline.Our actual operating results may not meet or exceed our guidance and investor expectations** ,which ~~in turn could~~ **would** ~~have a material adverse effect on~~ **likely cause our stock price to decline.From time to time,we may release guidance in our earnings releases,earnings conference calls** ~~our~~ - **or** ~~business~~ **otherwise** , **regarding our future performance that represent our management** ~~financial position,results of operations,and cash flows.Since its onset in 2020,the COVID- 19 pandemic has significantly negatively affected the domestic and global economies,significantly disrupted global supply chains,and created significant disruption of businesses,lifestyles,and the financial and retail markets,including a significant disruption in consumer demand for children~~ ' s ~~clothing and accessories~~ **estimates as of the date of release** . ~~Measures undertaken~~ **If given,this guidance,which will include forward- looking statements,will be based on projections prepared** by ~~governments,private organizations~~ **our management.Projections are based upon a number of assumptions** and ~~individuals have addressed~~ **estimates that,while presented with numerical specificity,are inherently subject to significant business,economic and competitive uncertainties and contingencies,many of which are beyond our control.Our actual results could differ materially from such projections.Factors that could cause or contribute to such differences include,but are not limited to,** ~~the~~ **those** ~~pandemic~~ **identified in this " Risk Factors " section.The principal reason that we expect to release guidance is to provide a basis for our management to discuss our business outlook with analysts** and **investors.With or without our guidance,analysts and** ~~the~~ **other** ~~disruption~~ **investors may publish expectations regarding our business,financial performance and results of operations.Guidance is necessarily speculative in nature,and** it **can be** ~~has caused.Nonetheless,the COVID- 19 pandemic is~~ expected **that some or all of the assumptions of the guidance furnished by us** ~~to continue to adversely affect business and personal life.The COVID- 19 pandemic has had,and~~ will **not materialize** ~~likely continue to have adverse effects on our~~ - **or** ~~business,financial position,~~ **will vary significantly from actual** results ~~of operations,and cash flows~~ . **If our actual performance does not meet** ~~For~~ - **or exceed our guidance or investor expectations** ~~example:• The Company has experienced~~ , ~~and will likely continue to experience~~ **the trading price of our common stock may decline.An active** , **liquid trading market** ~~reductions and volatility in demand~~ for ~~its retail products,and changes in consumer spending behaviors and needs (including because of the adoption of remote or~~ **our common stock** ~~hybrid learning models by schools) due to the COVID- 19 pandemic,have adversely impacted and are likely to continue to adversely impact traffic in stores and sales,and such actions have resulted,and are likely to continue to result,in a loss of sales and profit.• The Company has experienced,and will likely continue to experience,temporary disruptions in its global supply chain,as the COVID- 19 outbreak has resulted in travel and shipping disruptions and has adversely impacted,and will likely continue to adversely impact,manufacturing and distribution throughout the world,including in all countries in which the Company' s products are produced.The receipt of products and raw materials has been,and will likely continue to be,slowed or disrupted,which has adversely impacted,and will likely continue to adversely impact,the fulfillment of merchandise orders from the Company' s vendors.• In response to increased digital demand,the Company increased and will continue to increase the utilization of its third- party logistics providers to further support both our U.S.and Canadian e- commerce operations.This increased utilization~~

~~has resulted and may continue to result in higher fulfillment costs for the Company.• Due to delays in the manufacture,transportation and delivery of cargo during the COVID- 19 pandemic,the Company had begun to factor in these delays in its inventory management planning.This has resulted in a material increase in the costs of transporting and importing the Company’ s products from overseas factories.Also,in the event these deliveries arrive earlier than expected,we could experience materially increased costs and lower selling prices due to a need to dispose of excess inventory.These disruptions to the domestic and global economies and to the Company’ s business may lead to additional triggering events that may indicate that the carrying value of certain assets,including inventories,long- lived assets,and intangibles,~~ may not be ~~recoverable~~ **sustained** . **Although our common stock** ~~Furthermore,the global situation~~ is ~~in a state of flux~~ **currently listed on the Nasdaq Global Select Market under the symbol “ PLCE,”** ~~and~~ **an active trading market** ~~the Company cannot foresee whether the outbreak of COVID- 19 and / or~~ **for** ~~variant viruses will~~ **our shares may not** be ~~effectively contained~~ **sustained.Accordingly** , ~~nor~~ **if** ~~can~~ **an** ~~it predict~~ **active trading market for our common stock is not sustained,the liquidity of our common stock would be limited,and holders of our common stock may not be able to sell their shares when desired.Moreover,the prices that** ~~the~~ **they** ~~severity~~ **may obtain for their shares would be adversely affected.An inactive market may also impair our ability to raise capital to continue to fund operations by issuing shares** and ~~duration of~~ **may impair our ability to acquire other companies by using our shares as consideration.If securities or industry analysts do not publish research or reports about our business,if** ~~the~~ **they adversely change their recommendations regarding** ~~pandemic’ s impact.As such,impacts of COVID- 19 and / or~~ **our** ~~variant viruses~~ **shares or if our results of operations do not meet their expectations,our stock price and trading volume could decline.The trading market for our shares is influenced by the research and reports that industry or securities analysts publish about us or our business.We do not have any control over these analysts.If one or more of these analysts cease coverage of us or fail to publish reports** on **us regularly** ~~the Company are highly uncertain~~ , ~~and~~ **we could lose visibility in** the ~~Company will continue to assess the operational and~~ financial ~~impacts.The disruptions~~ **markets,which in turn could** ~~caused~~ **cause our stock price** ~~by the COVID- 19 pandemic,and all measures taken,and to be taken in the future,in response to it,including those described above,may have a material adverse effect on our~~ **or** ~~business~~ **trading volume to decline.Moreover** , ~~financial position~~ **if one or more of the analysts who cover us downgrade our stock** , **or if our** results of operations **do not meet their expectations** , ~~and cash flows~~ **our stock price could decline** .RISKS RELATED TO CYBERSECURITY,DATA PRIVACY,INFORMATION TECHNOLOGY AND E- COMMERCE A privacy breach,through a cybersecurity incident or otherwise,or failure to comply with privacy laws could have a material adverse effect on our business.As part of normal operations,we and our third- party vendors,consultants and other partners receive and maintain confidential and personally identifiable information about our customers and employees,and confidential financial,intellectual property,and other proprietary information.We regard the protection of our customer,employee,and Company information as critical.The regulatory environment surrounding information security and privacy is very demanding,with the frequent imposition of new and changing significant requirements,such as the California Consumer Privacy Act and the California Privacy Rights Act,and more recently,the Virginia Consumer Data Protection Act,the Colorado Privacy Act,the Connecticut Data Privacy Act and the Utah Consumer Privacy Act,some of which involve significant costs to implement and significant penalties if not followed properly.A significant breach of federal,state,provincial,local,or international privacy laws could have a material adverse effect on our business,reputation,financial position,results of operations,and cash flows.A cybersecurity breach,whether targeted,random,or inadvertent,and whether at the hands of cyber criminals,hackers,rogue employees,hostile agents of foreign governments,or other persons,may occur and could go undetected for a period of time.Any cybersecurity incident could result in any or all of the following:• theft,destruction,loss,misappropriation,or release of confidential financial and other data,intellectual property,customer awards or loyalty points,or customer,employee or vendor information,including personally identifiable information such as payment card information,bank account information,email addresses,passwords,social security numbers,home addresses,or health information;• operational or business delays resulting from the disruption of our e- commerce site,computer network,or the computer networks of our third- party vendors,consultants and other partners and subsequent material clean- up and mitigation costs and activities;• negative publicity resulting in material reputation or brand damage with our investors,customers,vendors,third- party partners,or industry peers;• loss of sales,including those generated through our e- commerce websites;and • governmental penalties,fines and / or enforcement actions,payment and industry penalties and fines,and / or class action and other lawsuits.Our efforts and technology to secure our computer network and systems may not be sufficient to defend us against all unauthorized attempts to access our employees’,customers’,vendors’ and / or our information.We have been and may be subject to attempts to gain unauthorized access to our computer network and systems,including emails.Similarly,a breach to the computer networks and systems of our third- party vendors,consultants or other partners,including those that are cloud- based,may also occur.Any such breach could lead to a material disruption of our computer network and / or the areas of our business dependent on the support,services,and other products provided by these third- party vendors,consultants and other partners,subsequently resulting in the events described above.To date,prior attempts to gain unauthorized access to the networks and systems of the Company,our third- party vendors,consultants or other partners have not had a material adverse effect on us.Our systems and procedures are required to meet the Payment Card Industry (“ PCI ”) data security standards,which require periodic audits by independent third- parties to assess compliance.Failure to comply with the security requirements or rectify a security issue may result in substantial fines and the imposition of material restrictions on our ability to accept payment by credit or debit cards.There can be no assurance that we will be able to satisfy PCI security standards or to identify security issues in a timely fashion.In addition,PCI are controlled by a limited number of vendors who have the ability to impose changes in PCI’ s fee structure and operational requirements on us without negotiation.Such changes in fees and operational requirements may result in our failure to comply with PCI security standards,as well as significant unanticipated expenses.Any of the above risks,individually or in aggregation,could result in significant costs and / or materially damage our reputation and result in lost sales,governmental and payment card industry fines,and / or class action and other lawsuits,which in turn could have a material adverse effect on our business,financial position,results of operations,and cash flows.Although we carry cybersecurity insurance,in the event of a cyber- incident,that insurance may not be extensive enough or adequate in scope of coverage or amount to reimburse us for damages we may incur.Our failure to successfully manage our e- commerce business could have a material adverse effect on our business.The successful operation of our e- commerce business depends on our ability to ~~maintain the~~ **conduct an** efficient and uninterrupted operation of our online order- taking and our fulfillment operations **,whether from our distribution center or from our third party provider' s,** and on our ability to provide a shopping experience that will generate orders and return visits to our site,including by updating our e- commerce platform to stay abreast of changing consumer shopping habits such as the significantly increased use of mobile devices and apps to shop online.Risks associated with our e- commerce business include:• risks associated with the failure of the computer systems that operate our website or the failure or disruption of our information technology and other business systems,including,but not limited to,inadequate system capacity,security breaches,computer viruses,human error,changes in programming,failure of third- parties to continue to support older systems or system upgrades,or unintended disruptions occasioned as a result of such upgrades,or migration of these services to new systems,including to the cloud;• **increased or unplanned costs associated with order fulfillment and delivery of merchandise to our customers;•** inadequacy of disaster recovery processes and the failure to align these processes with business continuity plans;• the integration of the Gymboree brand in our stores and via our e- commerce website,the continued progress of our Sugar & Jade ~~brand~~ -- **and** ~~,and the launch of our newest brand,~~ PJ Place **brands** ;• consumer privacy and information security concerns and regulation;• changes in applicable federal,state,provincial,local,or international regulations;• disruptions in telephone service or power outages;• reliance on third parties for computer hardware and software,cloud- based computing services,updates (patches),as well as delivery of merchandise to our customers;• ~~increased or unplanned costs associated with order fulfillment and delivery of merchandise to our customers;•~~ rapid technology changes and changes in consumer shopping habits ~~,including as a result of the COVID- 19 pandemic~~ ,such as the significant increase in online shopping,including through the use of mobile devices and apps;• credit or debit card fraud;• the diversion of sales from our physical stores;• natural disasters or adverse weather conditions;• negative publicity related to the social media influencers we have engaged;• negative customer reviews or influencer reviews on social media;and • liability for online advertising and content.Problems in any one or more of these areas,individually or in aggregation,could have a material adverse effect on our business,financial position,results of operations,and cash flows,and could damage our reputation and brands.A material disruption in,failure of,inability to upgrade,or inability to properly implement disaster recovery plans for,our information technology or other business systems could have a material adverse effect on our business,financial position,results of operations,and cash flows.We rely heavily on various information and other business systems to manage our complex operations,including our online business,management of our global supply chain,merchandise assortment planning,inventory allocation and replenishment,order management,warehousing,distribution and shipping activities,point- of- sale processing in our stores,including credit and debit card processing,gift cards,our private label credit card,our customer loyalty program,and various other processes and transactions.We continue to evaluate and implement upgrades and changes to our information technology (" IT ") and other business systems.Operation of our IT and / or implementation of upgrades and changes to our IT and other business systems carries substantial risk,including failure to operate as designed,failure to properly integrate with,or disruption of,other systems,potential loss of data or information,cost overruns or unforeseen costs,implementation delays,disruption of operations,inability to properly train associates on new processes,inability to properly direct change management,lower customer satisfaction resulting in lost customers or sales,inability to deliver the optimal level of merchandise to our stores in a timely manner,inventory shortages,inventory levels in excess of customer demand,inability to meet the demands of our international franchise partners or our wholesale and retail customers,and the inability to meet financial,regulatory,and other reporting requirements.Further,disruptions or malfunctions affecting our current or new information or other business systems could cause critical information upon which we rely to be lost,delayed,unreliable,corrupted,insufficient,or inaccessible.See also the risks associated with the risk factor above," Our failure to successfully manage our e- commerce business could have a material adverse effect on our business." We continue to focus on the implementation of IT disaster recovery and / or implementation of high availability readiness with regard to our e-commerce,finance,reporting,distribution,logistics,store operations,merchandising,sourcing,and other key systems in order to protect against the loss or corruption of critical data.There can be no assurance that we will be successful in implementing or executing on the appropriate disaster recovery plans or high availability readiness to protect against such loss or corruption.There is also no assurance that a successfully implemented system will deliver or continue to deliver any anticipated sales or margin improvements or other benefits to us.The failure to do so could have a material adverse effect on our business,financial position,results of operations,and cash flows.We also rely on third- party vendors and outsourcing partners to design,program,implement,maintain,and service our existing and planned information systems,including those operated through cloud- based technology.Any failures of these vendors to properly deliver their services in a timely fashion,any determination by those vendors to stop supporting certain systems or components,or any failure of these vendors to protect our competitively sensitive data,or the personal data of our customers or employees,or to prevent the unauthorized access to,or corruption of,such data,whether in their possession,through our information systems or cloud- based technology utilized by us, **could have a material adverse effect on our business,financial position,results of operations,and cash flows** . RISKS RELATED TO LEGAL AND REGULATORY MATTERS We may be unable to protect our trademarks and other intellectual property rights. We believe that our trademarks and service marks are important to our success and our competitive position due to their name recognition with our customers. We devote substantial resources to the establishment and protection of our trademarks and service marks on a worldwide basis, including in the countries from which we source our merchandise and in which we have business operations or plan to have business operations, including through foreign franchise partners. We are not aware of any material claims of infringement or material challenges to our right to use any of our trademarks in the United States or Canada. Nevertheless, the actions we have taken, including to establish and protect our trademarks and service marks, may not be adequate to prevent others from imitating our products or to prevent others from seeking to block sales of our products. Also, others may assert proprietary rights in our intellectual property, or may assert that we are engaging in activities that infringe on their own intellectual property, and we may not be able to successfully resolve these types of claims, any of which could have a material adverse effect on our business, financial position, results of operations, and cash flows. In addition, the laws of certain foreign countries may not protect our proprietary rights to the same extent as do the laws of the United States, and we may not be successful in obtaining our trademarks in foreign countries where we plan to conduct business. Our failure to protect our intellectual property rights could diminish the value of our brands, weaken our competitive position, and could have a material adverse effect on our business, reputation, financial position, results of operations, and cash flows. Federal tax and other legislation has had and will continue to have a material effect on our business, financial position, results of operations, and cash flows. In addition, changes in current tax law could adversely impact our business, financial position, results of operations, and cash flows. Other legislative, regulatory, and other actions which might be taken by federal or state governments are unpredictable and could have unforeseen consequences having a material adverse effect on our business. We are subject to income taxes in the United States and foreign jurisdictions, including Canada and Hong Kong. Our provision for income taxes and cash tax liability in the future could be adversely affected by numerous factors, including, but not limited to, income before taxes being lower than anticipated in countries with lower statutory tax rates and higher than anticipated in countries with higher statutory tax rates, changes in the valuation of deferred tax assets and liabilities, and changes in tax laws, regulations, accounting principles or interpretations thereof, which could adversely impact our business, financial position, results of operations, and cash flows in future periods. In addition, we are subject to the examination of our income tax returns by the Internal Revenue Service, Canada Revenue Agency, and other state, local and foreign tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income and other taxes. There can be no assurance that the outcomes from these continuous examinations will not have a material adverse effect on our business, financial position, results of operations, and cash flows. Legislative, regulatory, and other actions, such as minimum wage requirements or overtime regulation and other wage and hour regulations, continue to be unpredictable and could have unforeseen consequences. Such changes could impact our relationship with our workforce, increase our expenses and have a material adverse effect on our business, financial position, results of operations, and cash flows. None of our employees is currently represented by a collective bargaining agreement. However, from time to time there have been efforts to organize our employees at various locations. There is no assurance that our employees will not unionize in the future. Our failure to comply with federal, state or local law, and litigation involving such laws, or changes in such laws, could materially increase our expenses and expose us to legal risks and liability. If we fail to comply with applicable laws and regulations, particularly wage and hour, accessibility, privacy and information security, product safety, and pricing, children’ s online privacy protection, advertising, sweepstakes, contests, and marketing laws, we could be subject to legal and reputational risk, government enforcement action, and class action civil litigation, which could have a material adverse effect on our business, financial position, results of operations, and cash flows. Changes in regulation and how regulations are enforced, such as taxes, privacy and information security, product safety, trade, consumer credit, pricing, advertising, and marketing, healthcare or environmental protection, among others, could cause our expenses to increase, margins to decrease, or tax deductible expenses to decrease, which could lead to a material adverse effect on our business, financial position, results of operations, and cash flows. Legal and regulatory actions are inherent in our business and could have a material adverse effect on our business, reputation, financial position, results of operations, and cash flows. We are, and in the future may be, subject to legal and regulatory actions in the ordinary course of our business. Some of these proceedings have been, and in the future may be, brought on behalf of various alleged classes of complainants. The plaintiffs may seek large and / or indeterminate amounts, including treble, punitive, or exemplary damages and / or payment of legal fees in these proceedings. Substantial legal liability could have a material adverse effect on our business, financial position, results of operations, and cash flows or cause us material reputational harm, which in turn could materially harm our business prospects. Our litigation and regulatory enforcement and other matters are subject to many uncertainties, and given their complexity and scope, their outcome cannot be predicted. Our reserves for litigation and regulatory and enforcement matters may prove to be inadequate. In light of the unpredictability of our litigation and regulatory and enforcement matters, it is also possible that in certain cases an ultimately unfavorable resolution of, or decision in, one or more litigation or regulatory and enforcement matters could have a material adverse effect on our reputation and / or our business, financial position, results of operations, and cash flows. Legislative actions and new accounting pronouncements could result in us having to increase our administrative expenses to remain compliant and could have other material adverse effects. In order to comply with the Sarbanes- Oxley Act of 2002 **(the “ Sarbanes- Oxley Act ”)** and the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010, accounting guidance or disclosure requirements by the SEC, guidance that may come from the Public Company Accounting Oversight Board (“ PCAOB ”), or changes in listing standards by the Nasdaq Global Select Market, we may be required to enhance our internal controls, hire additional personnel, and utilize additional outside legal, accounting, and advisory services, all of which could cause our general and administrative expenses to increase materially. Changes to existing tax or other laws, authoritative or regulatory guidance, and regulations may have a material adverse effect on our financial statements. The Financial Accounting Standards Board is continuing its convergence efforts with its international counterpart, the International Accounting Standards Board, to converge U. S. and International standards into one uniform set of accounting rules. The effect of changes in tax and other laws or changes in accounting rules or regulatory guidance on our financial statements could be significant. Changes to our financial position, results of operations, or cash flows could impact our debt covenant ratios or a lender’ s perception of our financial statements causing an adverse effect on our ability to obtain credit, or could adversely impact investor analyses and perceptions of our business causing the market value of our stock to decrease. In addition, any changes in the current accounting rules, including legislative and other proposals, could increase the expenses we report under U. S. GAAP and have a material adverse effect on our business, financial position, results of operations, and cash flows. **We have in the past experienced a material weakness in our internal controls over financial reporting. If we fail to maintain effective internal control and remediate any future control deficiencies, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and our reputation with investors, ultimately leading to a decline in the price of our common stock. As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes- Oxley Act, and the rules and regulations of the applicable listing standards of the Nasdaq Global Select Market. In particular, Section 404 of the Sarbanes- Oxley Act requires that we evaluate and determine the effectiveness of our internal controls over financial reporting. It also requires our independent registered public accounting firm to attest to our evaluation of our internal controls over financial reporting. If any of our internal controls and systems do not perform as expected, we may experience material weaknesses in our internal controls. While we continually undertake steps to improve our internal control over financial reporting as our business changes, we may not be successful in making the improvements and changes necessary to be able to identify and remediate control deficiencies or material weaknesses on a timely basis. It is possible that our current internal controls and any new internal controls that we develop may become inadequate in the future because of changes in conditions in our business. For example, as further discussed below in " Item 9A. Controls and Procedures " of this Form 10- K, we had previously identified a material weakness in the operation of our internal control related to the review of the borrowing base calculation provided to the Credit Agreement Lenders under our Credit Agreement. As of February 3, 2024, we have successfully remediated this material weakness by implementing additional review procedures over the accuracy of the borrowing base calculation. Although this material weakness has been remediated, and although our management has determined, and our independent registered public accounting firm has attested, that our internal controls over financial reporting were effective as of February 3, 2024, we cannot assure you that we or our independent registered public accounting firm will not identify a material weakness in our internal controls in the future. If we have difficulty implementing and maintaining effective internal controls over financial reporting, or if we identify a material weakness in our internal controls over financial reporting in the future, we may not detect errors on a timely basis, such that it could harm our operating results, adversely affect our reputation, cause our stock price to decline, or result in inaccurate financial reporting or material misstatements in our annual or interim financial statements. We may be unable to maintain compliance with securities laws, stock exchange listing requirements and debt instruments' covenants regarding the timely filing of accurate periodic reports, which could lead to investigations by Nasdaq, the SEC or other regulatory authorities or litigations with our creditors and / or shareholders, hence requiring additional management attention and impairing our ability to operate our business. Our liquidity, access to capital markets and perceptions of our creditworthiness may be adversely affected. We could be required to implement expensive and time-consuming remedial measures. Our independent registered public accounting firm may issue reports that are adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed, or operating, or if it is not satisfied with our remediation of any identified material weaknesses. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material adverse effect on our business, financial position, results of operations, and cash flows.**