

Risk Factors Comparison 2025-02-26 to 2024-02-28 Form: 10-K

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Our business, results of operations, financial condition, cash flows and the market value of our common stock can be adversely affected by pandemics, epidemics or other public health emergencies, such as the outbreak of COVID- 19. The extent to which pandemics, epidemics or other public health emergencies may adversely impact our business depends on future developments, which are highly uncertain and unpredictable, depending upon the severity and duration of any such outbreak and the effectiveness of actions taken globally, nationally and locally to contain or mitigate its effects. Any resulting financial impact cannot be estimated reasonably at this time, but may materially adversely affect our business, results of operations, financial condition and cash flows. Even after any pandemic, epidemic or other public health emergency has subsided, we may experience materially adverse effects to our business due to any resulting economic recession or depression. Additionally, concerns over the economic affect of any pandemic, epidemic or other public health emergency may cause extreme volatility in financial and other capital markets which may adversely impact the market value of our common stock and our ability to access capital markets and debt capital. To the extent any pandemic, epidemic or other public health emergency adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this Annual Report. We are dependent on franchise renewals. Each of our franchise agreements is 10 years long. At the end of the term of each franchise agreement, each franchisee may, if certain conditions are met, “ renew ” the franchise relationship by signing a new 10- year franchise agreement. As of December 30-28, 2023-2024, each of our five brands have the following number of franchise agreements that will expire over the next three years: 2024-2025 2026 2027 Plato’ s Closet 56-44-40Once 43 40 36Once Upon A Child 51-44 50Play 50 38Play It Again Sports 22-20 19 14 14Music 18Music Go Round 2-4 6 6Style 5Style Encore 15-8 6 146-120 7 118 116 104 We believe that renewing a significant number of these franchise relationships is important to our continued success. If a significant number of franchise relationships are not renewed, our financial performance would be materially and adversely impacted. We are dependent on new franchisees. Our ability to generate increased revenue and achieve higher levels of profitability depends in part on increasing the number of franchises open. Unfavorable macro-economic conditions may affect the ability of potential franchisees to obtain external financing and / or impact their net worth, both of which could lead to a lower level of openings than we have historically experienced. There can be no assurance that we will sustain our current level of franchise openings. We may make additional investments outside of our core businesses. From time to time, we have and may continue to make investments both inside and outside of our current businesses. To the extent that we make additional investments that are not successful, such investments could have a material adverse impact on our financial results. We may sell franchises for a territory, but the franchisee may not open. We believe that a substantial majority of franchises awarded but not opened will open within the time period permitted by the applicable franchise agreement or we will be able to resell the territories for most of the terminated or expired franchises. However, there can be no assurance that substantially all of the currently sold but unopened franchises will open and commence paying royalties to us. Our franchisees are dependent on supply of used merchandise. Our retail brands are based on offering customers a mix of used and new merchandise. As a result, the ability of our franchisees to obtain continuing supplies of high quality used merchandise is important to the success of our brands. Supply of used merchandise comes from the general public and may not be regular or highly reliable. In addition, adherence to federal and state product safety and other requirements may limit the amount of used merchandise available to our franchisees. In addition to laws and regulations that apply to businesses generally, our franchised retail stores may be subject to state or local statutes or ordinances that govern secondhand dealers. There can be no assurance that our franchisees will avoid supply problems with respect to used merchandise. We may be unable to collect accounts receivable from franchisees. In the event that our ability to collect accounts receivable significantly declines from current rates, we may incur additional charges that would affect earnings. If we are unable to collect payments due from our franchisees, it would materially adversely impact our results of operations and financial condition. We operate in an extremely competitive industry. Retailing, including the sale of apparel, sporting goods and musical instruments, is highly competitive. Many retailers and online marketplaces have significantly greater financial and other resources than us and our franchisees. Individual franchisees face competition in their markets from retailers of new merchandise and, in certain instances, resale, thrift and other stores that sell used merchandise. We may face additional competition as our franchise systems expand and if additional competitors enter the used merchandise market. We currently, and may in the future, have assets held at financial institutions that may exceed the insurance coverage offered by the Federal Deposit Insurance Corporation, the loss of such assets would have a severe negative affect on our operations and liquidity. We may maintain our cash assets at certain financial institutions in the U. S. in amounts that may be in excess of the Federal Deposit Insurance Corporation (“ FDIC ”) insurance limit of \$ 250, 000. In the event of a failure of any financial institutions where we maintain our deposits or other assets, we may incur a loss to the extent such loss exceeds the FDIC insurance limitation, which could have a material adverse effect upon our liquidity, financial condition and our results of operations. We are subject to restrictions in our line of credit / term loan and note facilities. Additionally, we are subject to counter party risk in our line of credit facility. The terms of our line of credit / term loan and note facilities impose certain operating and financial restrictions on us and require us to meet certain financial tests including tests related to minimum levels of debt service coverage and maximum levels of leverage. As of December 30-28, 2023-2024, we were in compliance with all of our financial covenants under these facilities; however, failure to comply with these covenants in the future may result in default under one or both of these sources of capital and could result in acceleration of the related indebtedness. Any such acceleration of indebtedness would have an adverse impact on our business activities and financial

condition. Sustained credit market deterioration could jeopardize the counterparty obligations of the bank participating in our line of credit facility, which could have an adverse impact on our business if we are not able to replace such credit facility or find other sources of liquidity on acceptable terms. We have indebtedness. We have existing indebtedness in the form of notes payable and term loans (see Note 7 — “ Debt ”). We expect to generate the cash necessary to pay our expenses and to pay the principal and interest on all of our outstanding debt from cash flows provided by operating activities and by opportunistically using other means to repay or refinance our obligations as we determine appropriate. Our ability to pay our expenses and meet our debt service obligations depends on our future performance, which may be affected by financial, business, economic, and other factors. If we do not have enough money to pay our debt service obligations, we may be required to refinance all or part of our existing debt, sell assets, borrow more money or raise equity. In such an event, we may not be able to refinance our debt, sell assets, borrow more money or raise equity on terms acceptable to us or at all. Also, our ability to carry out any of these activities on favorable terms, if at all, may be further impacted by any financial or credit crisis which may limit access to the credit markets and increase our cost of capital. We are subject to government regulation. As a franchisor, we are subject to various federal and state franchise laws and regulations. Fourteen states, the Federal Trade Commission and six Canadian Provinces impose pre- sale franchise registration and / or disclosure requirements on franchisors. In addition, a number of states have statutes which regulate substantive aspects of the franchisor- franchisee relationship such as termination, nonrenewal, transfer, discrimination among franchisees and competition with franchisees. Additional legislation, both at the federal and state levels, could expand pre- sale disclosure requirements, further regulate substantive aspects of the franchise relationship and require us to file our franchise offering circulars with additional states. Future franchise legislation could impose costs or other burdens on us that could have a material adverse impact on our operations. In addition, evolving labor and employment laws, rules and regulations could result in potential claims against us as a franchisor for labor and employment related liabilities that have historically been borne by franchisees. We may be unable to protect against data security risks. We have implemented security systems with the intent of maintaining the physical security of our facilities and protecting our employees, franchisees, lessees, customers’, clients’ and suppliers’ confidential information and information related to identifiable individuals against unauthorized access through our information systems or by other electronic transmission or through the misdirection, theft or loss of physical media. These include, for example, the appropriate encryption of information. Despite such efforts, we are subject to potential breach of security systems which may result in unauthorized access to our facilities or the information we are trying to protect. Because the techniques used to obtain unauthorized access are constantly changing and becoming increasingly more sophisticated and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement sufficient preventative measures. If unauthorized parties gain physical access to one of our facilities or electronic access to our information systems or such information is misdirected, lost or stolen during transmission or transport, any theft or misuse of such information could result in, among other things, unfavorable publicity, governmental inquiry and oversight, difficulty in marketing our services, allegations by our customers and clients that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for damages related to the theft or misuse of such information, any of which could have a material adverse effect on our business. Our stock price will fluctuate, and at times these fluctuations may be volatile. The prices of markets and individual equities tend to fluctuate. These fluctuations commonly reflect events, many of which may be fully or partially outside of our control, that may change investor' s perception of our future earnings growth prospects, including changes in economic conditions, ability to execute business strategy, the impacts of public policy, investor sentiment, competitive dynamics, and many other factors. While the sources of stock price fluctuation can be common across companies, the magnitude of these fluctuations can vary for different companies.