Risk Factors Comparison 2024-03-20 to 2023-03-24 Form: 10-K

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A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider such risks and uncertainties, together with the other information contained in this report and in our other public filings before investing in our common stock. If any of such risks and uncertainties actually occurs, our business, financial condition or operating results could differ materially from the plans, projections and other forward- looking statements included in the section titled " Management' s Discussion and Analysis of Financial Condition and Results of Operations ", " Quantitative and Qualitative Disclosures about Market Risk " and elsewhere in this report and in our other public filings. In addition, if any of the following risks and uncertainties, or if any other risks and uncertainties, actually occurs, our business, financial condition or operating results could be harmed substantially, which could cause the market price of our stock to decline, perhaps significantly. Risk Factor Summary The following is a summary of the risks and uncertainties that could cause our business, financial condition or operating results to be harmed. We encourage you to carefully review the full risk factors contained in this report in their entirety for additional information regarding these risks and uncertainties. Risks Related to Our Business • We are unable to control many of the factors affecting consumer spending, and declines in consumer spending on home furnishings and kitchen products in general could reduce demand for our products. • If we are unable to identify and analyze factors affecting our business, anticipate changing consumer preferences and buying trends, and manage our inventory and marketing spend commensurate with customer demand, our sales levels and operating results may decline. • Our business and operating results may be harmed if we are unable to timely and effectively deliver merchandise to our stores and customers. • Our failure to successfully manage our order- taking and fulfillment operations could have a negative impact on our business and operating results. • We must protect and maintain our brand image and reputation. • Our sales may be negatively impacted by increasing competition from companies with brands or products similar to ours. • Our facilities and systems, as well as those of our ~~vendors~~ **suppliers** , are vulnerable to natural disasters, adverse weather ~~conditions~~ **, climate change** , technology issues and other unexpected events, any of which could result in an interruption in our business and harm our operating results. • Our aspirations, goals and disclosures related to ESG matters expose us to numerous risks, including risks to our reputation and stock price. • Our business is subject to evolving corporate governance and public disclosure regulations and expectations that could expose us to numerous risks **. • If we are unable to effectively manage our e- commerce business and digital marketing efforts, our reputation and operating results may be harmed. • Declines in our comparable brand revenues may harm our operating results and cause a decline in the market price of our common stock** . • Our failure to successfully manage the costs and performance of our digital advertising might have a negative impact on our business ~~• If we are unable to effectively manage our e- commerce business and digital marketing efforts, our reputation and operating results may be harmed. • Declines in our comparable brand revenues may harm our operating results and cause a decline in the market price of our common stock. • Our business has been and may continue to be materially impacted by the COVID- 19 pandemic, and the duration and extent to which this will impact our future results of operations and overall financial performance remains uncertain. • Our failure to successfully manage the costs and performance of our digital advertising might have a negative impact on our business~~ . • If we are unable to successfully manage the complexities associated with an omni- channel and multi- brand business, we may suffer declines in our existing business and our ability to attract new business. • A number of factors that affect our ability to successfully open new stores or close existing stores are beyond our control. • **If we are unable to protect against inventory shrink, loss of other assets and fraud, our results of operations and financial condition could be adversely affected. •** Our inability or failure to adequately protect or enforce our intellectual property could negatively impact our business. • We outsource certain aspects of our business to third- party ~~vendors~~ **suppliers** and are in the process of insourcing certain business functions from third- party ~~vendors~~ **suppliers** . • If we fail to attract and retain key personnel, our business and operating results may be harmed. • If we are unable to introduce new brands and brand extensions successfully, or to reposition or close existing brands, our business and operating results may be negatively impacted. • We may be subject to legal proceedings that could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. Risks Related to Technology • We **are** ~~may be~~ exposed to cybersecurity risks and costs associated with credit card fraud, identity theft and business interruption that could cause us to incur unexpected expenses and loss of revenue. • We receive, process, store, use and share data, some of which contains personal information, which subjects us to complex and evolving governmental regulation and other legal obligations. • We are undertaking certain systems changes that might disrupt our business operations. Risks Related to Our ~~Vendors~~ **Suppliers** and Our Global Operations • Our dependence on foreign ~~vendors~~ **suppliers** and our increased global operations subject us to a variety of risks and uncertainties that could impact our operations and financial results. • We depend on foreign ~~vendors~~ **suppliers** and third- party agents for timely and effective sourcing of our merchandise, and we may not be able to acquire products in appropriate quantities and at acceptable prices to meet our needs. • If our ~~vendors~~ **suppliers** fail to adhere to our quality control standards and test protocols, we may delay a product launch or recall a product, which could damage our reputation and negatively affect our operations and financial results. • Our efforts to expand globally may not be successful and could negatively impact the value of our brands. • **Our** ~~We have limited experience operating on a~~ global ~~basis~~ **operations present unique risks,** and our failure to effectively manage the risks and challenges inherent in a global business could adversely affect our business, operating results and financial condition and growth prospects. Risks Related to Taxes and Tariffs • Any significant changes in tax, trade or other policies in the U. S. or other countries, including policies that restrict imports or increase import tariffs, could have a material adverse effect on our results of operations. • Fluctuations in our tax obligations and effective tax rate may result in volatility of our operating results. **• Our business may be subject to evolving sales and other tax regimes in various jurisdictions, which may harm our business.** Risks Related to Our Financial Statements and Liquidity • We may require funding from external sources, which may not be available at the levels we require **,** or may cost more than we expect **, and, as a consequence, our expenses and operating results could be negatively affected** . • Disruptions in the financial markets may adversely affect our liquidity and capital resources and our business. • Our operating results may be harmed by unsuccessful management of our employment, occupancy and other operating costs, and the operation and growth of our business may be harmed if we are unable to attract qualified personnel. General Risk Factors • Our inability to obtain commercial insurance at acceptable rates or our failure to adequately reserve for self- insured exposures might increase our expenses and have a negative impact on our business. • If our operating and financial performance in any given period does not meet the guidance that we have provided to the public or the expectations of our investors and analysts, our stock price may decline. • A variety of factors may cause our quarterly operating results to fluctuate, leading to volatility in our stock price. • ~~Changes in the method of determining the London Interbank Offered Rate, or LIBOR, or the replacement of LIBOR with an alternative reference rate, may adversely affect our financial condition and results of operations. •~~ If we are unable to pay quarterly dividends or repurchase our stock at intended levels, our reputation and stock price may be harmed. • If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired and our investors' views of us could be harmed. • Changes to accounting rules or regulations may adversely affect our operating results. • In preparing our financial statements we make certain assumptions, judgments and estimates that affect the amounts reported, which, if not accurate, may impact our financial results. • Changes to estimates related to our cash flow projections may cause us to incur impairment charges related to our long-lived assets for our retail store locations and other property and equipment, including information technology systems, as well as goodwill. Risks Related to our Business Our business depends on consumer demand for our products and, consequently, is sensitive to a number of factors that influence consumer spending, including general economic conditions, inflationary pressures, consumer disposable income, fuel prices, recession and fears of recession, unemployment, war and fears of war, outbreaks of disease **(such as the COVID- 19 pandemic)** , adverse weather, availability of consumer credit, consumer debt levels, conditions in the housing market, elevated interest rates, sales tax rates and rate increases, consumer confidence in future economic and political conditions, and consumer perceptions of personal well- being and security. In particular, past economic downturns and inflationary pressures have led to decreased discretionary spending, which adversely impacted our business. An uncertain economic environment could also cause our ~~vendors~~ **suppliers** to go out of business or our banks to discontinue lending to us or our ~~vendors~~ **suppliers** , or it could cause us to undergo restructurings, any of which ~~would~~ **could** adversely impact our business and operating results. In addition, periods of decreased home purchases **, such as in the current environment,** typically lead to decreased consumer spending on home products. These factors have affected, and may in the future affect, our various brands and channels differently. Adverse changes in factors affecting discretionary consumer spending **or decreases in consumer spending on home products during periods of decreased home purchases,** have reduced and may in the future reduce consumer demand for our products, thus reducing our sales and harming our business and operating results. Our success depends, in large part, upon our ability to identify and analyze factors affecting our business and to anticipate and respond in a timely manner to changing merchandise trends and customer demands in order to maintain and attract customers. For example, in the specialty home products business, style and color trends are constantly evolving. As a result, consumer preferences cannot be predicted with certainty and may change between selling seasons. We must be able to stay current with preferences and trends in our brands and address the customer tastes for each of our target customer demographics. Additionally, changes in customer preferences and buying trends may affect our brands differently. We must also be able to identify and adjust the ~~customer~~ offerings in each of our brands to cater to customer demands. For example, a change in customer preferences for children' s room furnishings may not correlate to a similar change in buying trends for other home furnishings. If we misjudge either the market for our merchandise or our customers' purchasing habits, our sales may decline significantly or may be delayed while we work to fill related backorders. Alternatively, we may be required to mark down certain products to sell any excess inventory or to sell such inventory through our outlet or other liquidation channels at prices which are significantly lower than our retail prices, any of which would negatively impact our business and operating results. In addition, we must manage our inventory effectively and commensurate with customer demand. Much of our inventory is sourced from ~~vendors~~ **suppliers** located outside of the U. S. Thus, we usually must order merchandise, and enter into contracts for the purchase and manufacturing of such merchandise, up to twelve months and generally multiple seasons in advance of the applicable selling season and frequently before trends are known. The extended lead times for many of our purchases may make it difficult for us to respond rapidly to new or changing trends. Our ~~vendors~~ **suppliers** also may not have the capacity to handle our demands or may go out of business or have other delays in production in times of economic crisis. In addition, the seasonal nature of the specialty home products business requires us to carry a significant amount of inventory prior to peak selling season. As a result, we are vulnerable to demand and pricing shifts and to misjudgments in the selection and timing of merchandise purchases. If we do not accurately predict our customers' preferences and acceptance levels of our products, our inventory levels will not be appropriate, and our business and operating results may be negatively impacted. If we are unable to effectively manage our inventory levels and ~~responsiveness of our~~ supply chain, including **by** predicting the appropriate levels and type of inventory to stock within each of our distribution facilities, our business and operating results may be harmed. ~~For example~~ **A critical component of managing inventory levels is predictability of transit times from our global suppliers to our distribution centers. Factors such as labor disputes** , ~~during~~ **union organizing activity, geopolitical instability, acts of terrorism, war, outbreaks of disease (such as** the COVID- 19 pandemic **)** , **adverse weather, natural disasters, and climate change can affect the global supply chain and disrupt our business. For example, recent instability in the Middle East is deterring commercial vessels from traveling through the Suez Canal, and instead is causing them to be rerouted, which**

leads to increased transit time and additional costs. Additionally, we ~~experienced elevated levels~~ **have been, and may continue to be, affected by disruptions and delays in the shipping channels utilizing the Panama Canal. Low annual rainfall in Panama has reduced the size and number** of **vessels able to travel through the canal each day. The reduced size and number of vessels transiting the Panama Canal has caused us to use alternative shipping routes, and may cause us to incur higher labor costs, both of which could lead to increased shipping costs. These delays and disruptions may lead to increased costs and reduced** demand for ~~many of~~ our products ~~, and as a result, we encountered delays in fulfilling this demand and replenishing to appropriate inventory levels. Continued or lengthy delays in fulfilling customer demand could cause our customers to shop with our competitors instead of us~~ , which could harm our business. Additionally, ~~although~~ **as** we ~~continue to insource furniture delivery hubs in certain geographies and~~ continue with the regionalization of our retail and e- commerce fulfillment capabilities, we are **dependent on** ~~subject to risks that may disrupt our supply chain operations or regionalization efforts, such as increasing labor costs, union organizing activity (including the UPS Teamsters negotiation scheduled to occur in mid- 2023, the International Longshoremen' s Association negotiations to occur during 2023, and the International Longshore & Warehouse Union negotiations to occur during 2023, which may affect port operations) and~~ our ability to effectively locate **appropriate** real estate for our distribution facilities ~~or~~ **and continually ensure** ~~other~~ **their** ~~supply chain~~ **ability to meet our fulfillment needs. We have invested capital into the acquisition of real estate leases for, and the development of technology and efficiencies at, our distribution centers. If disruptions in the** ~~operations~~ **operation of our distribution centers arise, or the technologies and efficiencies that we have invested in do not perform as anticipated, the results of our business could be negatively impacted** . Further, we cannot control all of the various factors that might affect our e- commerce fulfillment rates and timely and effective merchandise delivery to our stores **and customers** . We rely upon third- party carriers for our merchandise shipments and reliable data regarding the timing of those shipments, including shipments to our customers and to and from our stores. In addition, we are heavily dependent upon certain carriers for the delivery of our merchandise to our customers. As a result of our dependence on all of these third- party providers, we are subject to risks, including labor disputes, union organizing activity ~~(such as the UPS Teamsters negotiation scheduled to occur in mid- 2023, the International Longshoremen' s Association negotiations to occur during 2023, and the International Longshore & Warehouse Union negotiations to occur during 2023 which may affect port operations)~~ , adverse weather, natural disasters, climate change, the closure of such carriers' offices or a reduction in operational hours due to an economic slowdown or the inability to sufficiently ramp up operational hours during an economic recovery or upturn, availability of adequate trucking or railway providers, the potential for railway and port worker strikes, possible acts of terrorism, war, outbreaks of disease **(such as the COVID- 19 pandemic)** or other factors affecting such carriers' ability to provide delivery services to meet our shipping needs, disruptions or increased fuel costs and costs associated with any regulations to address climate change. **For example, the International Longshoreman' s Association (" ILA") union of maritime workers contract expires on September 30, 2024. The ILA is the largest union of maritime workers in North America, with over 65, 000 members along the East Coast and Gulf of Mexico. If the ILA contract is not renewed before expiration and ILA members go on strike in the fall of 2024, we may be forced to ship goods intended for the East Coast of the U. S. to West Coast ports and move them to the East Coast by land, which could result in West Coast port congestion, significantly longer transit times, and increased costs to us.** Further, we have experienced, and may continue to experience increased costs and restricted capacity from our third- party shipping providers and shortages of raw materials used to make our products and increased costs associated with our packaging. Failure to deliver merchandise in a timely and effective manner could cause customers to cancel their orders and could damage our reputation and brands. In addition, fuel costs have been volatile and ~~airline~~ **vessel operating companies** and other transportation companies continue to struggle to operate profitably, which could lead to increased fulfillment expenses. Any rise in fulfillment expenses could negatively affect our business and operating results. Our e- commerce business depends, in part, on our ability to maintain efficient and uninterrupted order- taking and fulfillment operations in our distribution facilities, our customer care centers and on our e- commerce websites. Disruptions or slowdowns in these areas could result from disruptions in telephone or network services, power outages, inadequate system capacity, system hardware or software issues, computer viruses, security breaches, human error, changes in programming, union organizing activity, insufficient or inadequate labor to fulfill the orders, disruptions in our third- party labor contracts, inefficiencies due to inventory levels and limited distribution facility space, issues with third- party order fulfillment and drop shipping, natural disasters, adverse weather ~~conditions~~ **, climate change** , outbreaks of disease (such as the COVID- 19 pandemic) ~~,~~ **and** war or acts of terrorism. Industries that are particularly seasonal, such as the home furnishings business, face a higher risk of harm from operational disruptions during peak sales seasons. These problems could result in a reduction in sales as well as increased expenses. In addition, we face the risk that we cannot hire enough qualified ~~employees~~ **associates** to support our e- commerce operations, or that there will be a disruption in the workforce we ~~hire~~ **engage** from our third- party providers, especially during our peak season. The need to operate with fewer ~~employees~~ **associates** could negatively impact our customer service levels and our operations. Our brands have wide recognition, and our success has been due in large part to our ability to maintain, enhance and protect our brand image and reputation and our customers' connection to our brands. Our continued success depends in part on our ability to adapt to a rapidly changing media environment, including our ~~increasing~~ reliance on social media and online advertising campaigns. Even if we react appropriately to negative posts or comments about us and / or our brands on social media and online, our customers' perception of our brand image and our reputation could be negatively impacted. In addition, customer sentiment could be shaped by our sustainability policies and related design, sourcing and operations decisions. Failure to maintain, enhance and protect our brand image could have a material adverse effect on our results of operations. The specialty e- commerce and retail businesses are highly competitive. We compete with other retailers that market lines of merchandise similar to ours. We compete with national, regional **,** and local businesses that utilize a similar retail store strategy, as well as traditional furniture stores, department stores, direct- to- consumer businesses **,** and specialty stores. The continued sales growth in the e- commerce industry has encouraged the entry of many new competitors, including discount retailers selling similar products at reduced prices, new business models, and an increase in competition from established companies, many of whom are willing to spend significant funds and / or reduce pricing ~~in order~~ to gain market share. The competitive challenges facing us include: • anticipating and quickly responding to changing consumer demands or preferences better than our competitors; • maintaining favorable brand recognition and achieving customer perception of value; • ~~effectively~~ marketing and competitively pricing our products to consumers ~~in several diverse market segments~~ ; • ~~effectively~~ **controlling and** managing ~~and controlling~~ our costs, including advertising spend; • ~~effectively~~ managing increasingly competitive promotional activity; • effectively attracting new customers; • developing new innovative shopping experiences, like mobile applications and augmented reality capabilities, that effectively engage today' s digital customers; • **smartly leveraging artificial intelligence (" AI") and machine learning to enhance the customer experience and streamline processes; •** developing innovative, high- quality products in colors and styles that appeal to consumers of varying age groups, tastes and regions, and in ways that favorably distinguish us from our competitors; and • effectively managing our supply chain and distribution strategies in order to provide our products to our consumers on a timely basis and minimize **out- of- market and multiple shipments, accommodations,** returns, replacements and damaged products. In light of the many competitive challenges facing us, we may not be able to compete successfully. Increased competition could reduce our sales and harm our operating results and business. Our retail stores, corporate offices, distribution and manufacturing facilities, infrastructure and e- commerce operations, as well as the operations of our ~~vendors~~ **suppliers** from which we receive goods and services, are vulnerable to damage from earthquakes, tornadoes, hurricanes, fires, floods or other volatile weather, **climate change,** power losses **, government- mandated shutdowns** , telecommunications failures, hardware and software failures, computer hacking, cybersecurity breaches, computer viruses and similar events. If any of these events result in damage to our facilities or systems, or those of our ~~vendors~~ **suppliers** , we may experience interruptions in our business until the damage is repaired, resulting in the potential loss of customers and revenues. In addition, we may incur costs in repairing any damage beyond our applicable insurance coverage. There has been increased focus from our stakeholders, including consumers, ~~employees~~ **associates** and investors, on our ESG practices. We have established and announced goals and other objectives related to ESG matters. These goal statements reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Our efforts to accomplish and accurately report on these goals and objectives present numerous operational, reputational, financial, legal and other risks, any of which could have a material negative impact, including on our reputation, stock price, and results of ~~operation~~ **operations** . We could also incur additional costs and require additional resources to implement various ESG practices to make progress against our public goals and to monitor and track our performance with respect to such goals. The standards for tracking and reporting on ESG matters are relatively new ~~, have not been formalized~~ and continue to evolve. Collecting, measuring, and reporting ESG information and metrics can be difficult and time consuming and may require us to rely on data from third parties, such as suppliers ~~and vendors~~ , who may not reliably or accurately track or record such data. Our selected disclosure framework or standards may need to be changed from time to time, which may result in a lack of consistent or meaningful comparative data from period to period. In addition, our interpretation of reporting frameworks or standards may differ from those of others and such frameworks or standards may change over time, any of which could result in significant revisions to our goals or reported progress in achieving such goals. Our ability to achieve any ESG- related goal or objective is subject to numerous risks, many of which are outside of our control, including: (i) the availability and cost of renewable energy sources, **environmental** credits and technologies, (ii) evolving regulatory requirements affecting ESG standards or disclosures, (iii) the availability of ~~vendors and~~ suppliers that can meet our sustainability, diversity and other standards, and (iv) the availability and cost of raw materials that meet and further our sustainability goals. If our ESG practices do not meet evolving consumer, ~~employee~~ **associate** , investor, regulatory body, or other stakeholder expectations and standards or our publicly- stated goals, then our reputation, our ability to attract or retain ~~employees~~ **associates** and our competitiveness, including as an investment and business partner, could be negatively impacted. Furthermore, if our competitors' ESG performance is perceived to be better than ours, potential or current customers and investors may elect to do business with our competitors instead, and our ability to attract or retain ~~employees~~ **associates and our competitiveness, including as an investment and business partner,** could be negatively impacted. Our failure, or perceived failure, to pursue or fulfill our goals, targets and objectives or to satisfy various reporting standards within the timelines we announce, or at all, could also expose us to government enforcement actions and private litigation. We are subject to changing rules and regulations promulgated by a number of federal, state, and local governmental and self- regulatory organizations, including the ~~United States Securities and Exchange Commission ("~~ SEC ~~")~~ , the New York Stock Exchange and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by Congress, making compliance more difficult and uncertain. In addition, increasingly, regulators, customers, investors, ~~employees~~ **associates** and other stakeholders are focusing on ESG matters and related disclosures. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. For example, developing and acting on initiatives within the scope of ESG, and collecting, measuring and reporting ESG- related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC' s ~~proposed~~ **and the state of California' s newly- adopted** climate- related reporting requirements, and similar proposals by state regulators and other international regulatory bodies. We may also communicate certain initiatives and goals, regarding environmental matters, diversity, responsible sourcing and social investments and other ESG- related matters, in our SEC filings or in other public disclosures. These initiatives and goals within the scope of ESG could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized, fined or suffer other adverse consequences based on the inaccuracy, inadequacy or incompleteness of the disclosure. Further, statements about our ESG-related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG- related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our goals within the scope of ESG on a timely basis, or at all, our reputation, business, financial performance and growth could be adversely affected. ~~Our~~ **Approximately 66 % of our net revenues were generated by** e- commerce **sales** ~~channel has been our fastest- growing business over the last several years and represented more than 66 % of our net revenues and profits~~ in fiscal ~~2022~~ **2023** . The success of our e- commerce business depends, in part, on third parties and factors over which we have limited control. We must continually respond to changing consumer preferences and buying trends relating to e- commerce usage, including an emphasis on mobile e- commerce. Our success in e- commerce has been strengthened in part by our ability to leverage the information we have on our customers to infer customer interests and affinities such that we can personalize the experience they have with us. We also utilize digital advertising to target internet and app users whose behavior indicates they might be interested in our products. Current or future legislation or changes to other corporations' policies may reduce or restrict our ability to use these techniques, which could reduce the effectiveness of our marketing efforts. We are also vulnerable to certain additional risks and uncertainties associated with our e- commerce and mobile websites **, apps,** and digital marketing efforts, including: changes in required technology interfaces; website downtime and other technical failures; internet connectivity issues; costs and technical issues as we upgrade our website software; computer viruses; human error; ~~vendor~~ **supplier** reliability; changes in applicable **international,** federal and state regulations, such as **the European Union' s General Data Protection Regulation (" GDPR "),** the California Consumer Privacy Act (" CCPA ") **,** and the California Privacy Rights Act (" CPRA "), and related compliance costs; security breaches; and consumer privacy concerns. We must keep up to date with competitive technology trends and opportunities that are emerging throughout the retail environment, including the use of new or improved technology **(such as AI)** , evolving creative user interfaces, and other e- commerce marketing changes as it relates to paid search, re- targeting, loyalty programs, paid social advertising, and the proliferation of mobile usage, among others. While we endeavor to predict and invest in technology that is most relevant and beneficial to our company, our initiatives may not prove to be successful, may increase our costs, or may not succeed in driving sales or attracting customers. Our failure to successfully respond to these risks and uncertainties might adversely affect the sales or margin in our e- commerce business, require us to impair certain assets, and damage our reputation and brands. Various factors affect comparable brand revenues, including the number, size and location of stores we open, close, remodel or expand in any period, the overall economic and general retail sales environment, consumer preferences and buying trends, changes in sales mix among distribution channels, our ability to efficiently source and distribute products, changes in our merchandise mix, competition (including competitive promotional activity and discount retailers), current local and global economic conditions, the timing of our releases of new merchandise and promotional events, the success of marketing programs, the cannibalization of existing store sales by our new stores, changes in catalog circulation and in our e- commerce business and fluctuations in foreign exchange rates. Among other things, weather conditions have affected, and may continue to affect, comparable brand revenues by limiting our ability to deliver our products to our stores, altering consumer behavior, or requiring us to close certain stores temporarily, thus reducing store traffic. Even if stores are not closed, many customers may decide to avoid going to stores in bad weather. These factors have caused, and may continue to cause, our comparable brand revenue results to differ materially from prior periods and from earnings guidance we have provided. For example, the overall economic and general retail sales environment, as well as local and global economic conditions, has **recently** caused **and could continue to cause** a ~~significant~~ decline in our comparable brand revenue results ~~in the past~~ . In addition, public health conditions (such as the COVID- 19 pandemic), or other unforeseen events, could affect our ability to deliver our products to our customers and stores, alter consumer behavior, or require us to close certain stores temporarily or reduce customer capacity within certain stores temporarily, thus reducing store traffic and materially impacting our comparable brand revenues. Our comparable brand revenues have **recently** fluctuated ~~significantly in the past~~ on an annual, quarterly and monthly basis, and we expect that comparable brand revenues will continue to fluctuate in the future. In addition, past comparable brand revenues are not necessarily an indication of future results and comparable brand revenues may decrease in the future. Our ability to improve our comparable brand revenue results depends, in large part, on maintaining and improving our forecasting of customer demand and buying trends, selecting effective marketing techniques (including digital advertising), effectively driving traffic to our stores, e- commerce websites and direct- mail catalogs through marketing and various promotional events, providing an appropriate mix of merchandise for our broad and diverse customer base and using effective pricing strategies. Any failure to meet the comparable brand revenue expectations of investors and securities analysts in one or more future periods could significantly reduce the market price of our common stock. ~~Our business has been and may continue to be materially impacted by the COVID- 19 pandemic, which has negatively affected the U. S. and global economies, disrupted businesses and financial markets, and led to significant travel and transportation reductions. Although during the COVID- 19 pandemic our revenues have grown, there is no guarantee that such growth will continue over a prolonged period of time or that our revenues will not decline as consumers return to the workplace and spend less time at home, or if the COVID- 19 pandemic worsens due to new variants, either of which could result in decreased consumer spending in the markets in which we operate. The continuing impact of the COVID- 19 pandemic on our results, financial position and liquidity will depend on future developments, which are highly uncertain and cannot be predicted, such as the impact from new variants, the extent and effectiveness of containment actions and vaccination rollout throughout the world, and the impact of these and other factors on our stores, offices, employees, distributors, vendors and customers. If we are not able to respond to and manage the impact of such events effectively, our business, operating results, financial condition and cash flows could be adversely affected.~~ We use digital advertising to drive sales and traffic to our e- commerce sites. Competition and available inventory affect the price **we** ~~the company pays -~~ **pay** when **we buy** ads ~~are sold~~ and **these dynamic** costs ~~which~~ could impact the efficiency of our spend.

Additionally, we have historically experienced fluctuations in our customers' response to our marketing. Customer response to our advertisements is substantially dependent on merchandise assortment, availability and creative presentation, as well as the general retail sales environment, current domestic and global economic conditions and competition. In addition, if we misjudge the correlation between our advertising spend and net sales, if we mismanage budgets or if our strategy overall does not continue to be successful, our results of operations could be negatively impacted. With the expansion of our e- commerce business, the development of new brands, acquired brands, and brand extensions, our overall business has become substantially more complex. The changes in our business have forced us to develop new expertise and face new challenges, risks and uncertainties. For example, we face the risk that our e- commerce business ~~,~~ might cannibalize a portion of our retail sales or our newer brands, brand extensions and products may result in a decrease in sales of existing brands and products. While we recognize that our e- commerce sales and sales from new brands and products cannot be entirely incremental to sales through our retail channel or from existing brands and products, respectively, we seek to attract as many new customers as possible with the most relevant channels, brands and products to meet customer needs and grow our market share. We continually analyze the business results of our channels, brands and products in an effort to find opportunities to build incremental sales. Approximately 34 % of our net revenues ~~are~~ **were** generated by our retail stores **in fiscal 2023** . Our ability to open additional stores or close existing stores successfully will depend upon a number of factors, including: • general economic conditions; • our identification of, and the availability of, suitable store locations; • our success in negotiating new leases and amending, subleasing or terminating existing leases on acceptable terms; • the success of other retail stores in and around our retail locations; • our ability to secure required governmental permits and approvals; • the availability and cost of building materials needed for store ~~remodels~~ **construction and maintenance** ; • our hiring and training of skilled store operating personnel, especially management; • the unionization, or potential for unionization, of store personnel; • the availability of financing on acceptable terms, if at all; and • the financial stability of our landlords and potential landlords. Many of these factors are beyond our control. For example, for the purpose of identifying suitable store locations, we rely, in part, on demographic ~~surveys~~ **data** regarding the location of consumers in our target market segments. While we believe that ~~the surveys~~ **this data** and other relevant information are helpful indicators of suitable store locations, we recognize that these information sources cannot predict future consumer preferences and buying trends with complete accuracy. In addition, changes in demographics, in consumer shopping patterns, such as a reduction in mall traffic, in the types of merchandise that we sell and in the pricing of our products, may reduce the number of suitable store locations or cause formerly suitable locations to become less desirable. Further, time frames for lease negotiations and store development vary from location to location and can be subject to unforeseen delays or unexpected cancellations. We may experience delays in opening new store locations or remodeling existing locations due to the uncertain availability and increased costs of building materials necessary to remodel and improve our stores. We may not be able to open new stores or, if opened, operate those stores profitably. Construction and other delays in store openings could have a negative impact on our business and operating results. Additionally, we may not be able to renegotiate the terms of our current leases or close our underperforming stores on terms favorable to us, any of which could negatively impact our operating results. Our typical methods of managing these risks and uncertainties may not be sufficient, and as a result, our business and operating results could be negatively impacted. **Risk of loss or theft of assets, including loss of inventory (also called shrink), is inherent in the retail business. We have historically experienced loss of assets and inventory shrink due to damage, errors or misconduct by associates or third parties, theft, fraud, organized retail crime, and other causes, which may be further impacted by macroeconomic factors, including the enforcement environment. Recently, we have experienced elevated levels of inventory shrink, loss of other assets and fraud relative to historical levels, which could adversely affect our results of operations and financial condition. Our inability to effectively prevent and / or minimize the loss of assets and inventory shrink, or to effectively reduce, or to accurately predict and accrue for the impact of those losses, could adversely affect our financial performance.** We may not be able to effectively protect or enforce our intellectual property rights in the U. S. or in foreign jurisdictions, particularly as we continue to expand our business offerings and geographic reach. The laws of certain countries may not protect intellectual property rights to the same extent as the laws of the U. S. Our trademarks, service marks, copyrights, trade dress rights, trade secrets, domain names, patents, designs, proprietary technology and other intellectual property are valuable assets that are critical to our success. The unauthorized reproduction, theft or other misappropriation of our intellectual property could diminish the value of our brands or reputation and cause a decline in our sales. Protection of our intellectual property and maintenance of our distinct branding are particularly important as they distinguish our products and services from our competitors. The actions we take to protect our intellectual property rights may not be adequate to prevent imitation of our brands and products by others, particularly in jurisdictions that do not have strong intellectual property protection. In addition, the costs of protecting and policing our intellectual property assets may adversely affect our operating results. Advances in ~~artificial intelligence~~ **generative AI** technology may ~~generate~~ **reduce barriers to competition, lead to** developments ~~,~~ which existing intellectual property laws may not adequately protect against and ~~which may also~~ give rise to a proliferation of infringement which we may not be able to address effectively. We outsource certain aspects of our business to third- party ~~vendors~~ **suppliers** that subject us to risks of disruptions in our business as well as increased costs. For example, we utilize outside ~~vendors~~ **suppliers** for such things as payroll processing, email and other digital marketing and various distribution facilities and delivery services. In some cases, we rely on a single ~~vendor~~ **supplier** for such services. Accordingly, we are subject to the risks associated with their ability to successfully provide the necessary services to meet our needs. If our ~~vendors~~ **suppliers** are unable to adequately protect our data and information is lost, our ability to deliver our services is interrupted, our ~~vendors~~ **suppliers** ' fees are higher than expected, or our ~~vendors~~ **suppliers** make mistakes in the execution of operations support, then our business and operating results may be negatively impacted. In addition, in the past, we have insourced certain aspects of our business, including certain technology services and the management of certain furniture manufacturing and delivery, each of which was previously outsourced to third- party providers. We may also need to continue to insource other aspects of our business in the future in order to control our costs and to stay competitive. This may cause disruptions in our business and result in increased cost to us. In addition, if we are unable to perform these functions better than, or at least as well as, our third- party providers, our business may be harmed. Our future success depends to a significant degree on the skills, experience and efforts of key personnel in our senior management, whose vision for our company, knowledge of our business and expertise would be difficult to replace. If any one of our key ~~employees~~ **associates** leaves ~~, as we experienced during the last year~~, is seriously injured or unable to work, or fails to perform and we are unable to find a qualified replacement either internally or externally, we may be unable to execute our business strategy. In addition, our main offices are located in the San Francisco Bay Area, where competition for personnel with digital / e- commerce and technology skills can be intense. Several of our strategic initiatives, including our e- commerce, design, technology and supply chain initiatives, require that we hire and / or develop ~~employees~~ **associates** with appropriate experience. We may not be successful in recruiting, retaining and motivating skilled personnel domestically or globally who have the requisite experience to achieve our global business goals, and failure to do so may harm our business. Further, in the event we need to hire additional personnel, we may experience difficulties in attracting and successfully hiring such individuals due to competition for highly skilled personnel, increasing wages throughout the ~~United States~~ **U. S.** , as well as the significantly higher cost of living expenses in our markets. Additionally, if long- term, remote or flexible work options become more commonplace, potential ~~employees~~ **associates** may choose to move to lower cost of living areas or accept positions at companies with more favorable remote working policies, which could negatively impact our ability to recruit appropriately skilled personnel for positions that cannot be performed remotely. Lastly, we may experience reputational harm should current or former associates post negative comments about us **online or** on social media sites **, which may impact our ability to recruit or retain talent** . We have in the past and may in the future introduce new brands and brand extensions, reposition brands, close existing brands, or acquire new brands, especially as we continue to expand globally. **For example, in 2023 we launched our newest brand, GreenRow.** Any new brands **, including GreenRow** , brand extensions or expansion into new lines of business may not perform as expected. The work involved with integrating new brands or businesses into our existing systems and operations could be time- consuming, require significant amounts of management time and result in the diversion of substantial operational resources. Further, if we devote time and resources to new brands, acquired brands, brand extensions, brand repositioning, or new lines of business and those businesses are not as successful as we planned, then we risk damaging our overall business results or incurring impairment charges, including to write off any existing property and equipment, goodwill or intangible assets associated with previously acquired brands. As a result, we may not be able to introduce new brands in a manner that improves our overall business and / or operating results and may therefore be forced to close the brands or new lines of business, which may damage our reputation and / or negatively impact our operating results. We are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. Litigation is inherently unpredictable. Any claims against us, whether meritorious or not, could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. There has been a rise in the number of lawsuits against companies like us regarding consumer protection, **deceptive or** false advertising, data breach, and e- commerce- related patent infringement. From time to time, we have been subject to these types of lawsuits and are currently the subject of some of these types of lawsuits. The cost of defending against these types of claims or the ultimate resolution of any such claims against us, whether by settlement or adverse court decision, may harm our business and operating results. In addition, the increasingly regulated business environment may result in a greater number of enforcement actions by government agencies and private litigation. This could subject us to increased exposure to stockholder lawsuits and potential penalties related to regulatory inquiries. Additionally, in recent years there has been an increase in the number of employment claims and, in particular, discrimination and harassment claims. Coupled with ~~the expansion of~~ social media platforms and similar devices that allow individuals access to a broad audience, these claims have had a significant negative impact on some businesses. Certain companies that have faced employment or harassment- related lawsuits have had to terminate management or other key personnel and have suffered reputational harm that has negatively impacted their business. A significant portion of our customer orders are placed through our e- commerce websites or through our customer care centers. In addition, a significant portion of sales made through our retail channel require the collection of certain customer data, such as credit card information. In order for our sales channels to function successfully, we, our **supply chain, our** banking and authorizations partners, and other parties involved in processing customer transactions must ~~be able to~~ **function securely, including** ~~transmit~~ **transmitting** confidential information, ~~including~~ **such as** credit card information and other personal information of our customers, securely over public and private networks. Third parties may have or develop the technology or knowledge to breach, disable, disrupt or interfere with our systems or processes or those of our ~~vendors~~ **suppliers** . **Similar** ~~Although we take the security of our systems and the privacy of our customers' confidential information seriously, and we believe we take reasonable steps~~ to **many** ~~protect the security and confidentiality of the information we collect, we cannot guarantee that our security measures will effectively prevent others~~ - **other** ~~from obtaining~~ **retail companies and because of the prominence of our brand, we have in the past experienced, and we expect to continue to experience, cyber attacks, including phishing, and other attempts to breach, or gain** unauthorized access to **,** our ~~information~~ **system and databases. To date, these attacks have not had a material impact on our operations, but we cannot provide assurance that they will not have** ~~and~~ - **an** ~~our customers' information~~ **impact in the future** . The techniques used to obtain unauthorized access to systems change frequently and are not often recognized until after they have been launched. **We have a variety of security measures designed to prevent these attacks, but they vary in maturity, and our logging also may not be sufficient to fully investigate a cyber attack.** Any person who circumvents our security measures could destroy or steal valuable information or disrupt our operations. Any security breach or vulnerability that is discovered could cause consumers to lose confidence in the security of our information systems, including our e- commerce websites or stores, and choose not to purchase from us. Any security breach could also expose us to risks of data loss, litigation, regulatory investigations and other significant liabilities.

Such a breach could also seriously disrupt, slow or hinder our operations and harm our reputation and customer relationships, any of which could harm our business. If we or our third- party providers are the target of a cybersecurity attack ~~resulting in unauthorized disclosure of our customer data~~, we may **also** be required to undertake costly notification procedures **and publicly disclose details of the attack via a current report on Form 8- K filed with the SEC**. If we fail to implement appropriate safeguards, detect and provide prompt notice of unauthorized access as required by some data privacy laws, or otherwise comply with these laws, we could be subject to potential fines, claims for damages and other remedies, which could be significantly in excess of our insurance coverage and could harm our business. We receive, process, store, use and share data, some of which contains personal information. There are numerous federal, state, local and foreign laws and regulations regarding matters central to our business, data privacy and the collection, storing, sharing, use, processing, disclosure and protection of personal information and other data from customers, ~~employees~~ **associates** and business partners, the scope of which are regularly changing, subject to uncertain and differing interpretations and may be inconsistent among countries or conflict with other rules. For example, we are subject to the ~~General Data Protection Regulation ("~~GDPR ~~")~~ in the European Union and United Kingdom, the Canadian Consumer Privacy Protection Act in Canada (~~"~~ **"** ~~CCPA~~ **CPPA** ~~"~~ **"**), and similar laws in other foreign countries. In addition, in November 2020, the California Privacy Rights Act (~~"~~ **"** CPRA ~~"~~ **"**) was passed in the General Election and amended the CCPA as of January 1, 2023, imposing new, and potentially broader, consumer privacy rights on businesses, including ours. **Last year,** ~~Other~~ **other** states, including Colorado, Virginia, Utah, and Connecticut passed similar laws that **took effect in 2023, and several more states passed their own privacy laws that** take effect ~~in~~ **next year. By the end of** ~~2023~~ **2024 there will be 13 comprehensive state privacy laws in the U. S**. The application and interpretation of these laws and regulations are often uncertain, and as the focus on data privacy and data protection increases globally and domestically, we are, and will continue to be, subject to varied and evolving data privacy and data protection laws. Additionally, the Federal Trade Commission and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination and security of data. **In terms of cybersecurity, pursuant to the SEC' s Rules on Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure we are required to make certain disclosures related to material cybersecurity incidents and the reasonably likely impact of such an incident on Form 8- K and are required to make certain other cybersecurity disclosures on Form 10- K. Determining whether a cybersecurity incident is notifiable or reportable may not be straightforward and any such mandatory disclosures could be costly and lead to negative publicity, loss of customer confidence in the effectiveness of our security measures, diversion of management' s attention and governmental investigations.** The **dynamic and evolving nature of these laws, regulations and codes, as well as their interpretation by regulators and courts, and the** burdens imposed by these and other laws and regulations that may be enacted, or new interpretations of existing laws and regulations, may require us or our third- party ~~vendors~~ **suppliers** to modify our data processing practices and policies and to incur substantial costs in order to comply. These laws and regulations may also impact our ability to expand advertising on our platform internationally, as they may impede our ability to deliver targeted advertising and accurately measure our ad performance **. Any perception that our practices violate individual privacy, data protection rights or cybersecurity requirements, even if unfounded, subjects us to public criticism, lawsuits, investigations, claims and other proceedings by regulators, industry groups or other third parties, all of which could disrupt or adversely impact our business and reputation and expose us to increased liability, fines and other punitive measures including restrictive judicial orders and disgorgement of data**. Any failure or perceived failure by us to comply with our privacy policies, data privacy- related obligations to customers or other third parties, or our data privacy- related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other user data, or other failure to comply with these laws and regulations, or regulatory scrutiny, may result in governmental enforcement actions or litigation that could expose our business to substantial financial penalties, or other monetary or non- monetary relief, negative publicity, loss of confidence in our brands, decline in customer growth or damage to our brands and reputation. The GDPR, ~~CCPA~~ **CPPA**, CPRA and other such laws and regulations impose new and burdensome obligations, and include substantial uncertainty as to their interpretation, and we may face challenges in addressing their requirements, which could result in fines or penalties, lead us or our third- party ~~vendors~~ **suppliers** to change our data privacy policies and practices and limit our ability to deliver personalized advertising. Additionally, if third parties that we work with, such as advertisers, service providers or developers, violate applicable laws or our policies, these violations may also put customers' information at risk, which could, in turn, have an adverse effect on our business, revenue and financial results. Our success depends, in part, on our ability to source, sell and distribute merchandise efficiently through appropriate systems and procedures. We are continually modifying our information technology systems, which involves updating or replacing legacy systems with successor systems often over the course of several years. There are inherent risks associated with replacing our core systems, including supply chain and merchandising systems disruptions, that could affect our ability to get the correct products into the appropriate stores and delivered to customers or delay fulfillment and delivery until the issue is resolved. In addition, changes to any of our software implementation strategies could result in the impairment of software- related assets. We are also subject to the risks associated with the ability of our ~~vendors~~ **suppliers** to provide information technology solutions to meet our needs. Any disruptions could negatively impact our business and operating results ~~. We recently replaced our core financial reporting and human capital management systems with new enterprise resource planning systems to standardize our processes worldwide and adopt best- in- class capabilities. As we continue to utilize our core financial reporting and human capital management systems, we may need to add or improve processes and features, which could disrupt service to our operations or cause errors in data~~. We are heavily reliant on third- party ~~vendors~~ **suppliers** for access to our systems and the accuracy of the functionality within the systems. If we encounter implementation or usage problems with these new systems or other related systems and infrastructure, or if the systems do not operate as intended, do not give rise to anticipated benefits, or fail to integrate properly with our other systems or software platforms, then our business, results of operations, and internal controls over financial reporting may be adversely affected. Risks Related to our ~~Vendors~~ **Suppliers** and Global Operations Approximately ~~67~~ **81** % of our merchandise purchases in fiscal ~~2022~~ **2023** were sourced from foreign ~~vendors~~ **suppliers,** predominantly in Asia and Europe **, with 25 % of our merchandise purchases sourced from China** . Our dependence on foreign ~~vendors~~ **suppliers** means that we may be affected by changes in the value of the U. S. dollar relative to other foreign currencies. For example, any upward valuation in the Chinese yuan, the euro, or any other foreign currency against the U. S. dollar may result in higher costs to us for those goods. ~~Although substantially all of our foreign purchases of merchandise are negotiated and paid for in U. S. dollars, declines~~ **Declines** in foreign currencies and currency exchange rates might negatively affect the profitability and business prospects of one or more of our foreign ~~vendors~~ **suppliers** . This, in turn, might cause such foreign ~~vendors~~ **suppliers** to demand higher prices for merchandise in their effort to offset any lost profits associated with any currency devaluation, delay merchandise shipments to us, or discontinue selling to us, any of which could ultimately reduce our sales or increase our costs. In addition, the rising cost of labor in the countries in which our foreign ~~vendors~~ **suppliers** operate has resulted in increases in our costs of doing business. Any further increases in the cost of living in such countries may result in additional increases in our costs or in our foreign ~~vendors~~ **suppliers** going out of business. We, and our foreign ~~vendors~~ **suppliers** , are also subject to other risks and uncertainties associated with changing economic, political, social, health and environmental conditions and regulations within and outside of the U. S. These risks and uncertainties include import duties and quotas, compliance with anti- dumping regulations, work stoppages, economic uncertainties and adverse economic conditions (including inflation and recession), government regulations, trade restrictions, regulations to address climate change, employment and labor matters, wars and fears of war, political unrest, acts of terrorism, natural disasters, adverse weather, climate change, outbreaks of disease **(such as the COVID- 19 pandemic)** , and other unexpected events. We cannot predict whether any of the countries from which our raw materials or products are sourced, or in which our products are currently manufactured or may be manufactured in the future, will be subject to trade restrictions imposed by the U. S. or foreign governments, such as the tariffs levied by the U. S. against China, or the likelihood, type or effect of any such restrictions. Any event causing a disruption or delay of imports from foreign ~~vendors~~ **suppliers** could increase the cost, reduce the supply of merchandise available to us, or result in excess inventory if merchandise is received after the planned or appropriate selling season, all of which could adversely affect our business, financial condition and operating results. Furthermore, some or all of our foreign ~~vendors~~ **suppliers** ' operations may be adversely affected by political and financial instability resulting in the disruption of trade from exporting countries, restrictions on the transfer of funds and / or increased tariffs or quotas, war, political unrest, acts of terrorism, natural disasters, adverse weather, climate change, outbreaks of disease **(such as the COVID- 19 pandemic)** or other trade disruptions. For example, the COVID- 19 pandemic impacted our supply chain by forcing some factories that manufacture our merchandise to temporarily close or experience worker shortages and by causing delays and increased costs in international shipping. In addition, an economic downturn, or failure of foreign markets, may result in financial instabilities for our foreign ~~vendors~~ **suppliers** , which may cause our foreign ~~vendors~~ **suppliers** to decrease production, discontinue selling to us, or cease operations altogether. Our global operations in Asia, Australia, **Canada,** Europe and ~~Canada~~ **Mexico** could also be affected by changing economic and political conditions in foreign countries, which could have a negative effect on our business, financial condition and operating results. Although we continue to be focused on improving our global compliance program, there remains a risk that one or more of our foreign ~~vendors~~ **suppliers** will not adhere to our global compliance standards, such as fair labor standards and the prohibition of child labor. Non- governmental organizations might attempt to create an unfavorable impression of our sourcing practices or the practices of some of our foreign ~~vendors~~ **suppliers** that could harm our image. If either of these events occurs, we could lose customer goodwill and favorable brand recognition, which could negatively affect our business and operating results. Furthermore, many of our raw materials, such as cotton, are generally sourced internationally, and represent a significant part of our business. As part of our sustainability goals and preferred raw materials strategy, we aim to shift our raw materials to lower emission options, where possible. Many key inputs and processes in our raw material supply chain are resource and carbon intensive, introducing risk of scarcity due to disruption in availability, price volatility, and drought or other supply issues. Furthermore, as more companies increase their use of organic, recycled, lower emission or related materials in their product assortments, the availability of raw materials that meet and further our sustainability goals may be a risk. As a result of these developments, our business and operating results could be negatively impacted. Our performance depends, in part, on our ability to purchase our merchandise in sufficient quantities at competitive prices. We purchase our merchandise from numerous foreign and domestic manufacturers and importers. We generally have no contractual assurances of continued supply, pricing, or access to new products, and any ~~vendor~~ **supplier** could change the terms upon which it sells to us, discontinue selling to us, or go out of business at any time. We may not be able to acquire desired merchandise in sufficient quantities on terms acceptable to us. Additionally, we may not be able to modify our existing purchase orders with our ~~vendors~~ **suppliers** in response to fluctuating sales demand from our customers. Better than expected sales demand may lead to customer backorders and lower in- stock positions of our merchandise, which could negatively affect our business and operating results. Conversely, if we experience lower than expected sales demand, we may not be able to reduce our purchase orders with our ~~vendors~~ **suppliers** , which may lead to higher than anticipated inventory levels, and could require us to mark down certain products and sell excess inventory at a discount. In addition, our ~~vendors~~ **suppliers** may have difficulty adjusting to our changing demands and growing business. Any inability to acquire the appropriate amount of suitable merchandise on acceptable terms or the loss of one or more of our foreign ~~vendors~~ **suppliers** or third- party agents could have a negative effect on our business and operating results. Failure to acquire sufficient merchandise could harm our business because we would be missing products that we felt were important to our assortment, unless and until alternative supply arrangements are secured. We may not be able to develop relationships with new ~~vendors~~ **suppliers** or third- party agents, and products from alternative sources, if any, may not be of a suitable quality and / or may be more expensive than those we currently purchase. Failure to reduce our merchandise orders from our ~~vendors~~ **suppliers** during times of decreased customer demand could also harm our business because it may result in higher than anticipated inventory levels, which could require us to sell inventory at a discount. In addition, we are subject to certain risks that could limit our ~~vendors~~ **suppliers** ' ability to provide us with quality merchandise on a timely basis and at prices that are commercially acceptable to us, including risks related to the availability of raw materials, labor disputes, work disruptions or stoppages, union organizing activities, ~~vendor~~ **supplier** financial liquidity, adverse weather, natural disasters **, climate change** , political unrest, war, acts of terrorism, outbreaks of disease (such as the COVID- 19 pandemic), general economic and political conditions and regulations to address climate change. **If any** ~~For example, certain~~ of our **suppliers** ~~vendors have experienced~~ - **experience** work disruptions or stoppages, or transportation or other restrictions, **it could** ~~due to the COVID- 19 pandemic, which~~ negatively ~~impacted~~ -- **impact** our ability to acquire merchandise, which ~~has had~~ **would have** an adverse effect on our results of operations. Our ~~vendors~~ **suppliers** might not adhere to our quality control standards, and we might not identify the deficiency before merchandise ships to our stores or customers. Our ~~vendors~~ **suppliers** ' failure to manufacture or import quality merchandise in a timely and effective manner could damage our reputation and brands, and could lead to an increase in customer complaints and litigation against us and an increase in our routine insurance and litigation costs. Further, any merchandise that we receive, even if it meets our quality standards, could become subject to a recall, which could damage our reputation and brands, and harm our business. Additionally, changes to the legislative or regulatory framework regarding product safety or quality may subject companies like ours to more product recalls and result in higher recall- related expenses. Any recalls or other safety issues could harm our brands' images and negatively affect our business and operating results. We **currently** are ~~currently~~ **, and plan to continue,** growing our business and increasing our global presence **, including** by **operating e- commerce websites to service international customers,** opening new stores outside of the U. S., ~~including by~~ expanding our franchise and shop- in- shop operations, and offering shipping globally through third- party **suppliers** ~~vendors. As part of our overall global expansion strategy, we operate company- owned retail stores and e- commerce websites outside of North America. While our global expansion to date has been a small part of our business, we plan to continue to increase our presence internationally, including through our franchise and shop- in- shop arrangements~~ . We have **relatively** limited experience with global sales, understanding foreign consumer preferences, anticipating buying trends in different countries, marketing to **non- U. S.** customers ~~overseas~~ , or managing shipping logistics to **these** customers ~~overseas~~ . Moreover, global awareness of our brands and our products may not be high. Consequently, we may not be able to successfully compete with established brands in these markets and our global sales may not result in the revenues we anticipate. Additionally, global economic or political instability, work disruptions or stoppages, war or fear of war or outbreaks of diseases (such as the COVID- 19 pandemic) and resulting government actions (such as lockdowns or quarantines), may delay or harm our efforts to expand globally. Also, our products may not be accepted, either due to foreign legal requirements or due to different consumer tastes and trends. If our global growth initiatives are not successful, or if we or any of our third- party ~~vendors~~ **suppliers** fail to comply with any applicable regulations or laws, we may be forced to close stores or cease operations in certain countries, which may result in significant financial harm, diminish the value of our brands and negatively affect our future opportunities for global growth. In addition, we are exposed to foreign currency exchange rate risk with respect to our operations denominated in currencies other than the U. S. dollar. Our **operations** ~~retail stores~~ in Canada, Australia ~~and the United Kingdom~~ , and ~~our operations~~ throughout Asia and Europe expose us to market risk associated with foreign currency exchange rate fluctuations. **Our** ~~Although we use instruments to hedge~~ **hedges** ~~certain~~ **against** foreign currency ~~risks~~ - **risk** , ~~such hedges~~ **if any,** may not succeed in offsetting all of the impact of foreign currency rate volatility and generally only delay such impact on our business and financial results. Further, because we do not hedge against all of our foreign currency exposure, our business will continue to be susceptible to foreign currency fluctuations. Our ultimate realized gain or loss with respect to currency fluctuations will generally depend on the size and type of the transactions that we enter into, the currency exchange rates associated with these exposures, changes in those rates and whether we have entered into foreign currency hedge contracts to offset these exposures. All of these factors could materially impact our results of operations, financial position and cash flows. We have unaffiliated franchisees that operate stores in the Middle East, the Philippines, Mexico, South Korea, and India, as well as e- commerce websites in certain locations pursuant to franchise agreements. Under these agreements, our franchisees operate stores and / or e- commerce websites that sell goods purchased from us under our brand names. We continue to expand our franchise operations with our existing franchisees as well as seek to identify new franchise partnerships for select countries. The effect of these franchise arrangements on our business and results of operations is uncertain and will depend upon various factors, including the demand for our products in new global markets. In addition, certain aspects of our franchise arrangements are not directly within our control, such as the ability of each franchisee to meet its projections regarding store openings and sales, and the impact of exchange rate fluctuations on their business. Moreover, ~~while the franchise agreements we have entered into may provide us with certain termination rights,~~ to the extent that our franchisees do not operate their stores in a manner consistent with our requirements regarding our brand identities and customer experience standards, the reputation and value of our brands could be ~~impaired~~ **harmed** . In addition, in connection with these franchise arrangements, we have and will continue to implement certain new processes that may subject us to additional regulations and laws, such as U. S. export regulations. Failure to comply with any applicable regulations or laws could have an adverse effect on our results of operations. We operate several retail businesses, subsidiaries and branch offices throughout Asia, Australia, **Canada,** Europe ~~,~~ **and** Mexico ~~, and Canada~~ , which includes managing ~~overseas employees~~ **associates in those jurisdictions** , and **we** may expand these ~~overseas~~ operations in the future. Our global presence exposes us to the laws and regulations of these jurisdictions, including those related to marketing, privacy, data protection, employment and product safety and testing. We may be unable to keep current with government requirements as they change from time to time. Our failure to comply with such laws and regulations may harm our reputation, adversely affect our future opportunities for growth and expansion in these countries, and harm our business and operating results. Moreover, our global operations subject us to a variety of risks and challenges, including: • increased management, infrastructure and legal compliance costs, including the cost of real estate and labor in those markets; • increased financial accounting and reporting requirements and complexities; • increased operational and tax complexities, including managing our inventory globally; • the diversion of management attention away from our core business; • general economic conditions, changes in diplomatic and trade relationships, including the imposition of new or increased tariffs, political and social instability, war and acts of terrorism, outbreaks of diseases (such as the COVID- 19 pandemic) and natural disasters in each country or region; • economic uncertainty around the world; • compliance with foreign laws and regulations and the risks and costs of non- compliance with such laws and regulations; • compliance with U. S. laws and regulations for foreign operations; • reputational harm due to negative ~~post~~ **posts** about our brands or products on foreign social media or online forums; • fluctuations in foreign currency exchange rates and the related effect on our financial results, and the use of foreign exchange hedging programs **(if any)** to mitigate such risks; • growing cash balances in foreign jurisdictions which may be subject to repatriation restrictions; and • reduced or varied protection for intellectual property rights in some countries and practical difficulties of enforcing such rights abroad. Any of these risks could adversely affect our global operations, reduce our revenues or increase our operating costs, which in turn could adversely affect our business, operating results, financial condition and growth prospects. Some of our ~~vendors~~ **suppliers** and our franchisees also have global operations and are subject to the risks described above. Even if we are able to successfully manage the risks of our global operations, our business may be adversely affected if our ~~vendors~~ **suppliers** and franchisees are not able to successfully manage these risks. In addition, as we continue to expand our global operations, we are subject to certain U. S. laws, including the Foreign Corrupt Practices Act, as well as the laws of the foreign countries in which we operate. We must ensure that our ~~employees~~ **associates** and third- party agents comply with these laws. If any of our ~~overseas~~ operations, or our ~~employees~~ **associates** or third- party agents, violates such laws, we could become subject to sanctions or other penalties that could negatively affect our reputation, business and operating results. A significant portion of our products are manufactured outside of the U. S. Significant changes in tax, trade or other polices either in the U. S. or other countries could materially increase our tax burden or costs of goods sold. These changes in policies may also require us to increase our prices, which could adversely affect our sales. Tariffs or retaliatory trade restrictions implemented by other countries, could adversely affect customer sales, cause potential delays in product received from our ~~vendors~~ **suppliers** , and negatively impact our cost of goods sold and results of operations **. Additionally, changes in tariff and duty regimes abroad could have a material impact on our business and financial results** . We are subject to income taxes in many U. S. and foreign jurisdictions. Our provision for income taxes is subject to volatility and could be adversely impacted by a number of factors that require significant judgment and estimation. At any point in time, multiple tax years are subject to examination by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. As a result, we expect that throughout the year there could be ongoing variability in our quarterly and annual effective tax rates as taxable events occur and uncertain tax positions are either evaluated or resolved. In addition, our effective tax rate in a given financial statement period may be materially impacted by changes in the mix and level of earnings or losses in countries with differing statutory tax rates or by changes to existing laws or regulations. ~~For example~~ **On October 8** , ~~in~~ 2021, ~~137 member states of~~ the Organization ~~of~~ **for** Economic Co- operation and Development **(" OECD") announced the OECD / G20 Inclusive Framework on Base Erosion and Profit Shifting (Framework) which** agreed to a two- pillar ~~inclusive~~ **solution to reform the international tax** framework ~~that will fundamentally~~ **in response to the** ~~change~~ **challenges** ~~the taxing rights~~ of **digitalization** ~~governments and the allocation~~ of **the economy** ~~profits among tax jurisdictions in which companies conduct business~~ . ~~In~~ **On** December **20,** ~~2022~~ **2021** , ~~the European Union adopted the Minimum Tax Directive under Pillar 2 of the inclusive framework, requiring member states to pass legislation by the end of 2023. Although it is uncertain if some or all of these~~ -- **the** ~~proposals will~~ **OECD released Global anti- Base Erosion Rules, or GloBE, designed to** be ~~enacted~~ **implemented** into **the domestic** law **of each jurisdiction and** ~~in the U. S. or in other countries in which we~~ operate ~~, it is possible that such changes could materially impact our~~ **together to ensure large multinational enterprises are subject to a minimum** effective tax rate **of 15 % on any excess profits arising in each jurisdiction where they operate. The OECD continues to release additional guidance on these rules and the Framework calls for law enactment by OECD and G20 members to take effect in 2024 or 2025. These changes, when enacted by various countries in which we operate, may increase our taxes in these countries. Changes to these and other areas in relation to international tax reform, could increase uncertainty and may adversely affect our tax rate and cash flow in future years** . We regularly assess all of these matters to determine the adequacy of our income tax provision, which is subject to significant judgment. **The application of indirect taxes such as sales and use tax, value- added tax (" VAT "), goods and services tax (" GST "), and tax information reporting obligations to businesses like ours is a complex and evolving issue. The impact of potential changes in U. S., state or other countries' tax laws and regulations or evolving interpretations of existing laws, could adversely affect our financial condition and results of operations. If we are found to be deficient in how we have addressed our tax obligations, our business could be adversely impacted.** Risks Related to our Financial Statements and Liquidity ~~We may require funding from external sources, which may not be available at the levels we require, or may cost more than we expect, and, as a consequence, our expenses and operating results could be negatively affected.~~ We regularly review and evaluate our liquidity and capital needs. **Our** ~~Although our~~ credit facilities provide for up to a total of $ 750 million in unsecured revolving lines of credit (which includes a $ 250 million accordion feature subject to lender consent) ~~, in~~ **. In** the event we require additional liquidity from our lenders, such funds may not be available to us on acceptable terms, or at all **. Future renewals of our revolving line of credit (set to expire September 2026) may also be affected by Basel III regulations requiring enhanced capital requirements from all banking partners** . In addition, in the event we were to breach any of our financial covenants, our banks would not be required to provide us with additional funding, or they may require us to renegotiate our existing ~~Credit~~ **credit** ~~Facility~~ **facility** on less favorable terms. In addition, we may not be able to renew our letters of credit that we use to help pay our suppliers, or our ~~Credit~~ **credit** ~~Facility~~ **facility** , on terms that are acceptable to us, or at all, as the availability of credit facilities may become limited. If we are unable to access additional credit at the levels we require, or the cost of credit is greater than expected, it could adversely affect our operating results. Global financial markets and the banking sector can experience extreme volatility, disruption and credit contraction, which adversely affect global economic conditions. Such turmoil in financial and credit markets or other changes in economic conditions could adversely affect the sources of liquidity available to us and our costs of capital. For example, each financial institution in the syndicate for our credit facilities is responsible for providing a portion of the loans to be made under the facilities. If any lender, or group of lenders, with a significant portion of the commitments in our credit facilities fails to satisfy its obligations to extend credit under the facilities and we are unable to find a replacement for such lender or group of lenders on a timely basis, if at all, our liquidity and our business may be materially adversely affected. In addition, if the U. S. government were to default on its debt obligations due to Congress' failure to increase the debt limit, the U. S. and global financial markets would be adversely affected and our liquidity and borrowing costs could be adversely impacted. Should we need it, we also may not be able to obtain additional credit on terms which are acceptable to us, if at all. To be successful, we need to manage our operating costs and continue to look for opportunities to reduce costs. We incur substantial costs to warehouse and distribute our inventory. We continue to expand our furniture delivery network including insourcing and third **-** party expansion of furniture delivery hubs in certain geographies and continue to regionalize our retail and e- commerce fulfillment capabilities. Significant increases in our inventory levels may result in increased warehousing and distribution costs, such as costs related to additional distribution facilities, which we may not be able to lease or purchase on acceptable terms, if at all. Such increases in inventory levels may also lead to slower delivery times to customers, as capacity constraints at distribution facilities could cause delays in locating and shipping products, and increases in costs associated with inventory that is lost, damaged or aged. Higher than expected costs, particularly if coupled with lower than expected sales, would negatively impact our business and operating results. In addition, in times of economic uncertainty, these long- term contracts may make it difficult to quickly reduce our fixed operating costs, which could negatively impact our business and operating results. We recognize that we may need to increase the number of our ~~employees~~ **associates** , especially during holiday selling seasons, and incur other expenses to support new brands and brand extensions and the growth of our existing brands, including the opening of new stores. In addition, the market for prime real estate is competitive, especially in San Francisco where our corporate offices are headquartered. If we are unable to make substantial adjustments to our cost structure during times of uncertainty, such as an economic downturn or during times of expansion, we may incur unnecessary expense or we may have inadequate resources to properly run our business, and our business and operating results may be negatively impacted. From time to time, we may also experience union organizing activity in currently non- union facilities, including in our stores and distribution facilities. Union organizing activity may result in work slowdowns or stoppages and higher labor costs. In addition, there continues to be a growing number of wage- and- hour lawsuits and other employment- related lawsuits against retail companies, especially in California. State, federal and global laws and regulations regarding employment change frequently and the ultimate cost of compliance cannot be precisely estimated. Further, there have been and may continue to be increases in minimum wage and health care requirements. Any changes in regulations, the imposition of additional regulations, or the enactment of any new or more stringent legislation that impacts employment and labor, trade, or health care, could have an adverse impact on our financial condition and results of operations. We contract with various agencies to provide us with qualified personnel for our workforce. Any negative publicity regarding these agencies, such as in connection with immigration issues or employment practices, could damage our reputation, disrupt our ability to obtain needed labor or result in financial harm to our business, including the potential loss of business- related financial incentives in the jurisdictions where we operate. **We** ~~Although we strive to secure long- term contracts on favorable terms with our service providers and other vendors, we~~ may not be able to avoid unexpected operating cost increases in the future, such as those associated with minimum wage increases, enhanced health care requirements and benefits, or increases in insurance premiums. We believe that commercial insurance coverage is prudent in certain areas of our business for risk management. Insurance costs have increased substantially and may continue to increase in the future and may be affected by natural disasters, outbreaks of disease (such as the COVID- 19 pandemic), climate change, fear of terrorism, war, financial irregularities, cybersecurity breaches and fraud at publicly- traded companies, intervention by the government or political crises and instability, an increase in the number of claims received by the carriers, and a decrease in the number of insurance carriers. In addition, the carriers with which we hold our policies may go out of business or be otherwise unable to fulfill their contractual obligations, or they may disagree with our interpretation of the coverage or the amounts owed. In addition, for certain types or levels of risk, such as risks associated with certain natural disasters, cybersecurity breaches, or terrorist attacks, we may determine that we cannot obtain commercial insurance at acceptable rates, if at all. Therefore, we may choose to forego or limit our purchase of relevant commercial insurance, choosing instead to self- insure one or more types or levels of risks. We are primarily self- insured and we purchase insurance only for catastrophic types of events for such risks as workers' compensation, employment practices liability, ~~employee~~ **associate** health benefits, product recall and reputational risk, among others. If we suffer a substantial loss that is not covered by commercial insurance or our self- insurance reserves, the loss and related expenses could harm our business and operating results. In addition, exposures exist for which no insurance may be available and for which we have not reserved. We typically provide public guidance on our expected operating and financial results for future periods ~~on an annual basis only~~ , as we believe this approach is ~~better~~ aligned with the long- term view we take in managing our business and our focus on long- term stockholder value creation. ~~Although we believe that this guidance provides investors and analysts with a better understanding of management' s expectations for the future and is useful to our stockholders and potential stockholders, such~~ **Such** guidance is comprised of forward- looking statements subject to the risks and uncertainties described in this report and in our other public filings and public statements. Our actual results may not always be in line with or exceed the guidance we have provided or the expectations of our investors and analysts, especially in times of economic uncertainty. In the past, when we have reduced our previously provided guidance, the market price of our common stock has declined. If, in the future, our operating or financial results for a particular period do not meet our guidance or the expectations of our investors and analysts or if we reduce our guidance for future periods, the market price of our common stock may decline. Our quarterly results have fluctuated ~~in the past~~ and may fluctuate in the future, depending upon a variety of factors, including changes in economic conditions, shifts in the timing of holiday selling seasons, including Valentine' s Day, Easter, Halloween, Thanksgiving and Christmas, as well as timing shifts due to 53- week fiscal years, which occur approximately every five years. Historically, a significant portion of our net revenues and net earnings have typically been realized during the period from October through January each year, our peak selling season. In preparation for and during our **peak** holiday selling season, we hire a substantial number of part- time and seasonal ~~employees~~ **associates** , primarily in our retail stores, distribution facilities and customer care centers. If our operating and financial performance in any given period does not meet the guidance that we have provided to the public or the expectations of our investors and analysts, our stock price may decline. ~~Certain of our financial obligations and instruments, including our credit facilities, are or may be made at variable interest rates that use LIBOR (or metrics derived from or related to LIBOR) as a benchmark for establishing the interest rate. The United Kingdom' s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR, and most LIBOR tenors are not expected to be published after June 30, 2023. These reforms may result in new methods of calculating LIBOR to be established, or alternative reference rates to be established. For example, the Federal Reserve Bank of New York has begun publishing a Secured Overnight Funding Rate, or SOFR, which is intended to replace U. S. dollar LIBOR, and central banks in several other jurisdictions have also announced plans for alternative reference rates for other currencies. The potential consequences of these actions cannot be fully predicted and could have an adverse impact on the market value for or value of LIBOR- linked securities, loans, and other financial obligations or extensions of credit held by or due to us. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows. In addition, any transition process may involve, among other things, increased volatility or illiquidity in markets for instruments that rely on LIBOR, reductions in the value of certain instruments or the effectiveness of related transactions such as hedges, increased borrowing costs, uncertainty under applicable documentation, or difficult and costly consent processes. This could materially and adversely affect our results of operations, cash flows, and liquidity.~~ We have historically repurchased our shares through our stock repurchase program and paid a common stock dividend quarterly. The stock repurchase program and dividend may require the use of a significant portion of our cash earnings, which are also needed to fund our operations and finance future growth. As a result, we may not retain a sufficient amount of cash to fund our operations or finance future growth opportunities, new product development initiatives and unanticipated capital expenditures, which could adversely affect our financial performance. Further, our Board of Directors may, at its discretion, decrease or entirely discontinue the payment of dividends at any time and the stock repurchase program may be limited or ~~eliminated~~ **terminated** at any time. Our ability to pay dividends and repurchase stock will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive and other factors, that are beyond our control. Any failure to pay dividends or repurchase stock after we have announced our intention to do so may negatively impact our reputation and investor confidence in us, and may negatively impact our stock price. We have evaluated and tested our internal controls in order to allow management to report on, and our registered independent public accounting firm to attest to, the effectiveness of our internal controls, as required by Section 404 of the Sarbanes- Oxley Act of 2002. If we are not able to continue to meet the requirements of Section 404 in a timely manner, or with adequate compliance, we may be required to disclose material weaknesses if they develop or are uncovered, and we may be subject to sanctions or investigation by regulatory authorities, such as the SEC or the New York Stock Exchange. In addition, our internal controls may not prevent or detect all errors and fraud on a timely basis, if at all. A control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable assurance that the objectives of the control system will be met. If any of the above were to occur, our business and the perception of us in the financial markets could be negatively impacted. Changes to existing accounting rules or regulations may impact our future operating results. A change in accounting rules or regulations may even affect our reporting of transactions completed before the change is effective. The introduction of new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations, or the questioning of current accounting practices, may adversely affect our operating results. We make assumptions, judgments and estimates that impact amounts reported in our ~~consolidated~~ **Consolidated** ~~financial~~ **Financial** ~~statements~~ **Statements** for a number of items, including merchandise inventories, long- lived assets, leases, goodwill, and income taxes, among others. These assumptions, judgments and estimates are derived from historical experience and various other factors that we believe are reasonable under the circumstances as of the date our consolidated financial statements are prepared. Actual results could differ materially from our estimates, and such differences may impact our financial results. We make estimates and projections in connection with impairment analyses of our long- lived assets for our retail store locations and other property and equipment, including information technology systems, as well as goodwill. These analyses require us to make a number of estimates and projections of future results. If these estimates or projections change or prove incorrect, we may be, and have been, required to record impairment charges on certain store locations and other property and equipment, including information technology systems, and goodwill. These impairment charges have been significant in the past and may be significant in the future and, as a result of these charges, our operating results have been and may, in the future, be adversely affected.