

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-41032



Kidpik Corp.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

81-3640708

(I.R.S. Employer Identification No.)

200 Park Avenue South , 3rd Floor

New York , New York

(Address of principal executive offices)

10003

(Zip Code)

(212) 399-2323

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PIK	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of registrant's common stock outstanding as of November 10, 2023: 9,362,166 .

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Cautionary Statement Regarding Forward-Looking Information

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995, regarding future events and the future results of Kidpik Corp. (the "Company") that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. Forward-looking statements are not a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time the statements are made and involve known and unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance or achievements to be materially different from the information expressed or implied by the forward-looking statements in this Report. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Report, including under, or incorporated by reference into, "Risk Factors", which factors include:

- our ability to obtain additional funding, the terms of such funding and potential dilution caused thereby;
- the continuing effect of high interest rates and inflation on our operations, sales, and market for our products;
- deterioration of the global economic environment;
- our ability to build and maintain our brand;
- cybersecurity, information systems and fraud risks and problems with our websites;
- our ability to expand and grow our operations, and successfully market our products and services;
- changes in, and our compliance with, rules and regulations affecting our operations, sales, the internet in general and/or our products;
- shipping, production or manufacturing delays and/or tariffs on our products;
- our ability to increase members and sales;
- regulations we are required to comply with in connection with our operations, manufacturing, labeling and shipping;
- competition from existing competitors or new competitors or products that may emerge;
- high interest rates and inflation and our ability to control our costs, including employee wages and benefits and other operating expenses, as a result thereof;

- our dependency on third-party manufacturers to supply or manufacture our products;
- our business, including our costs and supply chain, which is subject to risks associated with rising inflation;
- our ability to establish or maintain vendor and supplier relations and/or relationships with third parties;
- our ability and third parties' abilities to protect intellectual property rights;
- our ability to attract and retain key personnel to manage our business effectively; and
- other risk factors included under "Risk Factors" below.

You should read the matters described in "Risk Factors" and the other cautionary statements made in this Report, as being applicable to all related forward-looking statements wherever they appear in this Report. We cannot assure you that the forward-looking statements in this Report will prove to be accurate and therefore prospective investors are encouraged not to place undue reliance on forward-looking statements. All forward-looking statements included herein speak only of the date of the filing of this Report. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements above. Other than as required by law, we undertake no obligation to update or revise these forward-looking statements, even though our situation may change in the future.

Summary Risk Factors

Our business is subject to varying degrees of risk and uncertainty. Investors should consider the risks and uncertainties summarized below, as well as the risks and uncertainties discussed in Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q and Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the Securities and Exchange Commission on March 31, 2023 (the "2022 Annual Report"). Investors should also refer to the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q, including our financial statements and related notes, and our other filings made from time to time with the Securities and Exchange Commission. Our business operations could also be affected by factors that we currently consider to be immaterial or that are unknown to us at the present time. If any of these risks occur, our business, financial condition, and results of operations could be materially and adversely affected, and the trading price of our common stock could decline or our common stock could become worthless:

- Our history of losses, our ability to achieve profitability, our need for additional funding and the availability and terms of such funding, as well as potential dilution caused thereby, and risks that if we do not raise such funding, we may be forced to seek bankruptcy protection and/or liquidate;
- Our ability to execute our growth strategy and scale our operations and risks associated with such growth, our ability to maintain current members and customers and grow our members and customers;
- Risks associated with our supply chain and third-party service providers, interruptions in the supply of raw materials and merchandise, increased costs of raw materials, products and shipping costs due to inflation, disruptions at our warehouse facility and/or of our data or information services, issues affecting our shipping providers, and disruptions to the internet, any of which may have a material adverse effect on our operations;
- Risks of changes in consumer spending due to changes in interest rates, increased inflation, declines in economic activity or recessions;
- Risks that effect our ability to successfully market our products to key demographics;
- The effect of data security breaches, malicious code and/or hackers;
- Increased competition and our ability to maintain and strengthen our brand name;
- Changes in consumer tastes and preferences and changing fashion trends;
- Material changes and/or terminations of our relationships with key vendors;
- Significant product returns from customers, excess inventory and our ability to manage our inventory;
- The effect of trade restrictions and tariffs, increased costs associated therewith and/or decreased availability of products;
- Our ability to innovate, expand our offerings and compete against competitors which may have greater resources;

- Certain anti-dilutive, drag-along and tag-along rights which may be deemed to be held by a former minority stockholder;
- Our significant reliance on related party transactions and loans;
- The fact that our Chief Executive Officer, Ezra Dabah, has majority voting control over the Company;
- If the use of "cookie" tracking technologies is further restricted, regulated, or blocked, or if changes in technology cause cookies to become less reliable or acceptable as a means of tracking consumer behavior, the amount or accuracy of internet user information would decrease, which could harm our business and operating results;
- Our ability to comply with future loan covenants;
- Our ability to prevent credit card and payment fraud;
- The risk of unauthorized access to confidential information;
- System interruptions that impair client access to our website or other performance failures in our technology infrastructure could damage our business;

- Our ability to protect our intellectual property and trade secrets, claims from third parties that we have violated their intellectual property or trade secrets and potential lawsuits in connection therewith;
- Our ability to comply with changing regulations and laws, penalties associated with any non-compliance (inadvertent or otherwise), the effect of new laws or regulations, our ability to comply with such new laws or regulations, and changes in tax rates;
- Our reliance on our current management, who are not party to any employment agreements with us;
- The outcome of future lawsuits, litigation, regulatory matters or claims;
- Certain terms and provisions of our governing documents which may prevent a change of control, and which provide for indemnification of officers and directors, limit the liability of officers or directors, and provide for the Board of Directors' ability to issue blank check preferred stock;
- Potential strategic transactions which may result in a change of control and/or business focus, a change in management and/or our Board of Directors;
- The fact that we have a limited operating history; the effect of future acquisitions on our operations and expenses;
- Our significant indebtedness;
- The fact that we may require additional capital to support business growth, and this capital might not be available or may be available only by diluting existing stockholders;
- The anticipated volatile nature of the trading prices of our common stock and dilution which may be caused by future sales of securities; and
- Our ability to maintain the listing of our common stock on the Nasdaq Capital Market.

Additional Information

Unless the context otherwise requires, all references in this Quarterly Report on Form 10-Q to "we," "us," "our," "our company," and "Kidpik" refer to Kidpik Corp. The Kidpik design logo, "kidpik," and our other registered or common law trademarks, service marks, or trade names appearing in this Quarterly Report on Form 10-Q are the property of Kidpik Corp. Other trade names, trademarks, and service marks used in this Quarterly Report on Form 10-Q are the property of their respective owners. Solely for convenience, we have omitted the ® and ™ designations, as applicable, for the trademarks we name in this Quarterly Report on Form 10-Q.

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Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

Kidpik Corp. Condensed Interim Balance Sheets

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Assets		
Current assets		
Cash	\$ 55,687	\$ 600,595
Restricted cash	4,618	4,618
Accounts receivable	147,499	336,468
Inventory	8,754,629	12,625,948
Prepaid expenses and other current assets	721,011	1,043,095
Total current assets	9,683,444	14,610,724
Leasehold improvements and equipment, net	109,639	67,957
Operating lease right-of-use assets	1,066,825	1,469,665
Total assets	\$ 10,859,908	\$ 16,148,346
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 1,930,858	\$ 2,153,389
Accounts payable, related party	1,709,708	1,107,665
Accrued expenses and other current liabilities	365,650	587,112
Operating lease liabilities, current	273,840	438,957
Short-term debt, related party	850,000	2,050,000
Total current liabilities	5,130,056	6,337,123
Operating lease liabilities, net of current portion	853,261	1,061,469
Total liabilities	\$ 5,983,317	\$ 7,398,592
Commitments and contingencies		
Stockholders' equity		

Preferred stock, par value \$ 0.001 , 25,000,000 shares authorized, of which no shares are issued and outstanding as of September 30, 2023 and December 31, 2022, respectively

Common stock, par value \$ 0.001 , 75,000,000 shares authorized, of which 9,362,166 shares are issued and outstanding as of September 30, 2023, and 7,688,194 shares issued and outstanding as of December 31, 2022

Additional paid-in capital	9,362	7,688
Accumulated deficit	(47,440,133)	(41,534,445)
Total stockholders' equity	4,876,591	8,749,754
Total liabilities and stockholders' equity	\$ 10,859,908	\$ 16,148,346

The accompanying notes are an integral part of these condensed interim financial statements.

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Kidpik Corp.
Condensed Interim Statements of Operations
(Unaudited)

	For the 13 weeks ended		For the 39 weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Revenues, net	\$ 3,389,183	\$ 3,633,467	\$ 10,867,580	\$ 11,734,132
Cost of goods sold	1,317,684	1,442,258	4,309,473	4,649,552
Gross profit	2,071,499	2,191,209	6,558,107	7,084,580
Operating expenses				
Shipping and handling	1,032,678	1,042,186	3,171,634	3,133,411
Payroll and related costs	991,044	1,191,515	3,196,280	4,137,495
General and administrative	1,939,108	2,366,283	5,988,543	5,850,066
Depreciation and amortization	12,503	7,670	35,616	19,989
Total operating expenses	3,975,333	4,607,654	12,392,073	13,140,961
Operating loss	(1,903,834)	(2,416,445)	(5,833,966)	(6,056,381)
Other expenses (income)				
Interest expense	22,117	21,885	71,722	51,485
Other income	-	-	-	(286,795)
Total other expense (income)	22,117	21,885	71,722	(235,310)
Net loss	\$ (1,925,951)	\$ (2,438,330)	\$ (5,905,688)	\$ (5,821,071)
Net loss per share attributable to common stockholders:				
Basic	(0.24)	(0.32)	(0.76)	(0.76)
Diluted	(0.24)	(0.32)	(0.76)	(0.76)
Weighted average common shares outstanding:				
Basic	8,022,268	7,688,194	7,813,886	7,653,790
Diluted	8,022,268	7,688,194	7,813,886	7,653,790

The accompanying notes are an integral part of these condensed interim financial statements.

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Kidpik Corp.
Condensed Interim Statements of Changes in Stockholders' Equity
For the 13 and 39 Weeks Ended September 30, 2023 and October 1, 2022
(Unaudited)

	Common Stock	Preferred Stock	Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount	Shares	Amount	
Balance, January 1, 2022	7,617,834	\$ 7,618	-	\$ (48,659,225)	\$ (33,919,184)
Equity-based compensation	-	-	-	617,164	-
Net loss	-	-	-	-	(1,810,675)
Balance, April 2, 2022	7,617,834	7,618	-	49,276,389	(35,729,859)
Equity-based compensation	-	-	-	433,924	-
Issuance of common stock	70,360	70	-	(70)	-
Cash used to settle net share equity awards	-	-	-	(33,692)	-
Net loss	-	-	-	-	(1,572,066)
Balance, July 2, 2022	7,688,194	7,688	-	49,676,551	(37,301,925)
					12,382,314

Equity-based compensation	-	-	-	-	303,980	-	303,980
Net loss	-	-	-	-	(2,438,330)	2,438,330)	(
Balance, October 1, 2022	<u>7,688,194</u>	\$ 7,688	-	\$ -	<u>\$49,980,531</u>	<u>\$ (39,740,255)</u>	<u>\$10,247,964</u>
Balance, December 31, 2022	7,688,194	\$ 7,688	-	\$ -	\$50,276,511	\$ (41,534,445)	\$ 8,749,754
Equity-based compensation	-	-	-	-	267,476	-	267,476
Net loss	-	-	-	-	(1,950,512)	1,950,512)	(
Balance, April 1, 2023	<u>7,688,194</u>	<u>7,688</u>	-	-	<u>50,543,987</u>	<u>(43,484,957)</u>	<u>7,066,718</u>
Issuance of common stock	81,523	82	-	-	(82)	-	-
Equity-based compensation	-	-	-	-	290,953	-	290,953
Net loss	-	-	-	-	(2,029,225)	2,029,225)	(
Balance, July 1, 2023	<u>7,769,717</u>	<u>7,770</u>	-	-	<u>50,834,858</u>	<u>(45,514,182)</u>	<u>5,328,446</u>
Issuance of common stock – vesting of restricted shares	38,649	38	-	-	(38)	-	-
Issuance of common stock – debt conversion	1,553,800	1,554	-	-	1,198,446	-	1,200,000
Equity-based compensation	-	-	-	-	280,543	-	280,543
Cash used to settle net share equity awards	-	-	-	-	(6,447)	-	(6,447)
Net loss	-	-	-	-	(1,925,951)	1,925,951)	(
Balance, September 30, 2023	<u>9,362,166</u>	\$ <u>9,362</u>	-	\$ -	<u>\$52,307,362</u>	<u>\$ (47,440,133)</u>	<u>\$ 4,876,591</u>

The accompanying notes are an integral part of these condensed interim financial statements.

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Kidpik Corp.
Condensed Interim Statements of Cash Flows
(Unaudited)

	39 Weeks Ended	
	September 30, 2023	October 1, 2022
Cash flows from operating activities		
Net loss	\$ (5,905,688)	\$ (5,821,071)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	35,616	19,989
Equity-based compensation	838,972	1,355,068
Bad debt expense	236,200	456,388
Changes in operating assets and liabilities:		
Accounts receivable	(47,231)	(343,455)
Inventory	3,871,319	(2,674,680)
Prepaid expenses and other current assets	322,084	680,359
Operating lease right-of-use assets and liabilities	29,515	15,599
Accounts payable	(222,532)	(503,167)
Accounts payable, related parties	602,044	65,944
Accrued expenses and other current liabilities	(221,461)	(291,554)
Net cash used in operating activities	<u>(461,162)</u>	<u>(7,040,580)</u>
Cash flows from investing activities		
Purchases of leasehold improvements and equipment	(77,299)	(42,903)
Net cash used in investing activities	<u>(77,299)</u>	<u>(42,903)</u>
Cash flows from financing activities		
Cash used to settle net share equity awards	(6,447)	(33,692)
Net repayments from advance payable	-	(932,155)
Net repayments from loan payable	-	(150,000)
Net cash used in financing activities	<u>(6,447)</u>	<u>(1,115,847)</u>
Net decrease in cash and restricted cash	<u>(544,908)</u>	<u>(8,199,330)</u>
Cash and restricted cash, beginning of period	605,213	8,420,500
Cash and restricted cash, end of period	<u>\$ 60,305</u>	<u>\$ 221,170</u>
Reconciliation of cash and restricted cash:		
Cash	\$ 55,687	\$ 216,552
Restricted cash	4,618	4,618
	<u>\$ 60,305</u>	<u>\$ 221,170</u>
Supplemental disclosure of cash flow data:		
Interest paid	\$ 2,315	\$ 21,830
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of stockholder debt to equity	<u>\$ 1,200,000</u>	<u>-</u>

Kidpik Corp.
Notes to the Condensed Interim Financial Statements
(Unaudited)

NOTE 1: NATURE OF BUSINESS

Kidpik Corp. (the "Company", "kidpik", "we", "our" or "us") was incorporated on April 16, 2015 under the laws of Delaware. The Company is a subscription-based e-commerce business geared toward kid products for girls' and boys' apparel, footwear, and accessories. The Company serves its customers through the clothing subscription box business, its retail website, www.kidpik.com, and third party websites. The Company commenced operations in March 2016 and its executive office is located in New York.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting: The accompanying condensed interim financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), and the rules and regulations of the SEC that apply to interim financial statements and with the instructions to Form 10-Q and of Regulation S-X. Accordingly, they do not include all of the information and footnotes normally included in financial statements prepared in conformity with U.S. GAAP. They should be read in conjunction with the financial statements and notes thereto included in the Company's 2022 Annual Report on Form 10-K, filed with the SEC on March 31, 2023 (the "Form 10-K").

The accompanying condensed interim financial statements are unaudited and include all adjustments (consisting of normal recurring adjustments) that management considers necessary for a fair presentation of its condensed interim financial position and results of operations for the interim periods presented.

The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the entire year.

Fiscal year: The Company uses a 52-53-week fiscal year ending on the Saturday nearest to December 31 each year. The quarters ended September 30, 2023 and October 1, 2022 consist of 13 weeks. These quarters are referred to herein as the third quarter of "2023" and "2022", respectively.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reporting values of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates and assumptions are those used in determining the recoverability of long-lived assets and inventory obsolescence. Accordingly, actual results could differ from those estimates.

Emerging growth company: The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are required to comply with the new or revised financial accounting standards.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses*, which replaces the incurred loss impairment methodology for financial instruments in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB has issued ASU 2019-10, which has resulted in the postponement of the effective date of the new guidance for eligible smaller reporting companies to the fiscal year beginning January 1, 2023. The guidance must be adopted using a modified retrospective approach and a prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations and related disclosures.

Concentration of credit risk: Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash, restricted cash and accounts receivable. We maintain our cash and restricted cash with high-quality financial institutions with investment-grade ratings. Although the Company's cash balance held with a U.S. bank may exceed the amount of federal insurance provided on such deposits, the Company has not experienced any losses in such accounts. The Company is exposed to credit risk in the event of a default by the financial institution holding its cash for the amount reflected on the balance sheets. A majority of the cash balances are with U.S. banks and are insured to the extent defined by the Federal Deposit Insurance Corporation ("FDIC").

Net loss per common share: The Company complies with the accounting and disclosure requirements of FASB Accounting Standards Codification ("ASC") Topic 260, *Earnings Per Share*. Net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflects the impact of stock options and restricted stock units, if any, under the treasury stock method unless their impact is anti-dilutive.

Revenue recognition: The Company recognizes revenue from three sources; its subscription box sales, kidpik's online website sales, and third party website sales. Revenue is gross billings net of promotional discounts, actual customer credits and refunds, as well as customer credits and refunds expected to be issued, and sales tax. Customers are charged for subscription merchandise which is not returned, or which is accepted, and are charged for general merchandise (non-subscription) when they purchase such merchandise. Customers can receive a refund on returned merchandise for which return shipping is a cost to the Company.

Revenue for subscription box sales is recognized when control of the promised goods is transferred and accepted by the subscriber. Subscribers have a maximum of 10 days from the date the product is delivered to return any items in the pre-paid delivery bag. Control is transferred either when a subscriber checks out or automatically 10 days after the goods are delivered, whichever occurs first. Upon checkout or the 10-day period, the amount of the order not returned is recognized as revenue. Payment is due upon checkout or the end of the 10-day period after the goods are delivered, whichever occurs first. Between August 24, 2021 and January 6, 2022, we charged new subscribers an upfront styling fee before the box was shipped that was credited toward items purchased. The styling fees were included in deferred revenue until the time of client checkout or when the option to purchase the item expires.

Revenue from online website sales, which includes sales from our and third party websites (currently Amazon and Walmart), are recognized when

control of the promised goods are transferred to the Company's customers, in an amount that depicts the consideration the Company expects to be entitled to in exchange for those goods. Control is transferred at the time of shipment. Upon shipment, the total amount of the order is recognized as revenue. Payment for online website sales is due upon time of order.

The provision for anticipated sales returns consists of both contractual return rights and discretionary authorized returns.

Estimates of discretionary authorized returns for sales other than subscription sales, discounts and claims are based on (1) historical rates, (2) specific identification of outstanding returns not yet received from customers and outstanding discounts and claims, and (3) estimated returns, discounts and claims expected, but not yet finalized with customers. Actual returns, discounts and claims in any future period are inherently uncertain and thus may differ from estimates recorded. If actual or expected future returns, discounts or claims were significantly greater or lower than reserves established, a reduction or increase to net revenue would be recorded in the period in which such determination was made.

Shipping and handling costs associated with outbound freight fulfillment before control over a product has transferred to a customer are accounted for as a shipping and handling cost in the condensed interim statements of operations.

Taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue producing transaction and are collected by the Company from a customer are excluded from revenue and cost of goods sold in the condensed interim statements of operations.

Restricted cash: Restricted cash balance consists of cash advances received by the Company from the cash advance agreement. The cash advances can only be used for purchases of products and marketing related services necessary to operate the Company, as defined by the agreement.

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Inventory: Inventory, consisting primarily of finished goods, is valued at the lower of cost or net realizable value using the weighted average cost method. In addition, the Company capitalizes freight, duty and other supply chain costs in inventory. These costs are included in the cost of sales as inventory is sold.

Leasehold improvements and equipment: Leasehold improvements and equipment are recorded at cost. Depreciation for equipment is computed using the straight-line method over the estimated useful life of the assets ranging from three to five years. Leasehold improvements are amortized over the shorter of the term of the lease or the life of the improvement on a straight-line method. Expenditures that extend the useful lives of the equipment are capitalized. Expenditure for the repairs and maintenance are charged to expense as incurred. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in operations.

Impairment of long-lived assets: The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Company compares the carrying value of the assets with their estimated future undiscounted pre-tax cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the assets' carrying value and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. As a result of its review, the Company does not believe that any material impairment currently exists related to its long-lived assets.

Income taxes: The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized with respect to the future tax consequences attributable to differences between the tax bases of assets and liabilities and their carrying amounts for financial statement purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company applies U.S. GAAP accounting for uncertainty in income taxes. If the Company considers that a tax position is more likely than not of being sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Company measures the tax benefit by determining the amount that is greater than 50% likely of being realized upon settlement, presuming the tax position is examined by the appropriate taxing authority that has full knowledge of relevant information.

The Company has no unrecognized tax benefits at September 30, 2023 and December 31, 2022. The Company's federal, state and local income tax returns prior to fiscal year 2019 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Company recognizes interest and penalties associated with tax matters, if any, as part of operating expenses and includes accrued interest and penalties with accrued expenses in the condensed interim balance sheets.

Advertising costs: Direct advertising and promotion costs are expensed as incurred. Advertising and promotion expenses totaled \$ 795,031 and \$ 969,115 for the 13 weeks ended September 30, 2023 and October 1, 2022, respectively. Advertising and promotion expenses totaled \$ 2,635,773 and \$ 2,271,243 for the 39 weeks ended September 30, 2023 and October 1, 2022, respectively. Advertising and promotion expenses are included in general and administrative expenses in the condensed interim statements of operations.

Bad debt expense: Bad debt expense is recognized when a receivable is no longer collectible after a customer is unable to fulfill their obligation to pay an outstanding balance.

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Equity-based compensation: The Company measures equity-based compensation expense associated with the awards granted based on their estimated fair values at the grant date. For awards with service condition only, equity-based compensation expense is recognized over the requisite service period using the straight-line method. The grant-date fair value of stock options is estimated using the Black-Scholes option pricing model. Forfeitures are recorded as they occur. See Note 11, *Equity-based compensation*, for additional details.

Segment information: The Company has one operating segment and one reportable segment as its chief operating decision maker, who is its Chief Executive Officer, reviews financial information on a consolidated basis for purposes of allocating resources and evaluating financial performance. All long-lived assets are located in the United States.

NOTE 3: LIQUIDITY

The Company has sustained losses from operations since inception, negative operating cash flows and has an accumulated deficit of \$ 47,440,133 as of September 30, 2023. Accordingly, the Company may not be able to achieve profitability, and the Company may incur significant losses for the foreseeable future.

To support the Company's existing operations or any future expansion of business, including the ability to execute the Company's growth strategy, the Company must have sufficient capital to continue to make investments and fund operations.

The Company's ability to continue its operations is dependent upon obtaining new financing for its ongoing operations and on the Company's plans to reduce its inventory level. To manage operating cash flows in the near term, the Company plans to significantly reduce purchases of new inventory and if available, may enter into cash advance or other financing arrangements. Future financing options available to the Company may include equity financings, debt financings or other capital sources, including collaborations with other companies or other strategic transactions to fund existing operations. Equity financings may include sales of common stock. Such financing may not be available on terms favorable to the Company or at all. The terms of any financing may adversely affect the holdings or rights of the Company's stockholders and may cause significant dilution to existing stockholders. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continued operations, if at all, which would have a material adverse effect on its business, financial condition and results of operations, and it could ultimately be forced to discontinue its operations and liquidate. These matters, when considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that the condensed interim financial statements are issued. The accompanying condensed interim financial statements do not contain any adjustments to reflect the possible future effects on the classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

On March 22, 2023, the Company received written notice (the "Notification Letter") from the Listing Qualifications Department of The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that it is not in compliance with the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market. Nasdaq Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of \$ 1.00 per share, and Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of thirty (30) consecutive business days. Based on the closing bid price of the Company's common stock for the thirty (30) consecutive business days from February 7, 2023 to March 21, 2023, the Company no longer meets the minimum bid price requirement.

The Notification Letter did not impact the Company's listing of its common stock on the Nasdaq Capital Market at that time. The Notification Letter stated that the Company had 180 calendar days or until September 18, 2023, to regain compliance with Nasdaq Listing Rule 5550(a)(2), provided that such date was subsequently extended to March 18, 2024, upon request to Nasdaq, and in accordance with Nasdaq's rules. To regain compliance, the bid price of the Company's common stock must have a closing bid price of at least \$ 1.00 per share for a minimum of 10 consecutive business days. If the Company fails to regain compliance by March 18, 2024, or if it appears to Nasdaq that the Company will not be able to cure the deficiency, the Company's common stock will be subject to delisting, at which point the Company would have an opportunity to appeal the delisting determination to a Hearings Panel.

The Company intends to monitor the closing bid price of its common stock and may, if required, implement a reverse stock split to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules. The Company also received stockholder approval at its 2023 Annual Meeting of Stockholders held on June 19, 2023, of an amendment to the Company's Second Amended and Restated Certificate of Incorporation, to effect a reverse stock split of the Company's issued and outstanding shares of common stock, by a ratio of between one-for-five to one-for-twenty, inclusive, with the exact ratio to be set at a whole number to be determined by the Company's Board of Directors or a duly authorized committee thereof in its discretion, at any time prior to April 24, 2024.

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NOTE 4: INVENTORY

Inventory consists of the following:

	<u>September 30, 2023</u> (unaudited)	<u>December 31, 2022</u>
Finished goods	\$ 8,754,629	\$ 12,625,948
Total	<u>\$ 8,754,629</u>	<u>\$ 12,625,948</u>

NOTE 5: LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consist of the following:

	<u>September 30, 2023</u> (unaudited)	<u>December 31, 2022</u>
Computer equipment	\$ 120,459	\$ 117,841
Furniture and fixtures	185,290	174,504
Leasehold improvements	139,121	65,523
Machinery and equipment	32,666	42,369
Total cost	<u>477,536</u>	<u>400,237</u>
Accumulated depreciation	(367,897)	(332,280)
Leasehold improvements and equipment, net	<u>\$ 109,639</u>	<u>\$ 67,957</u>

Depreciation expense amounted to \$ 12,503 and \$ 7,670 for the 13 weeks ended September 30, 2023 and October 1, 2022, respectively.

Depreciation expense amounted to \$ 35,616 and \$ 19,989 for the 39 weeks ended September 30, 2023 and October 1, 2022, respectively.

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NOTE 6: LEASES

The Company adopted the ASC 842 guidance on January 2, 2022, using the modified retrospective transition effective date method. As part of that adoption, the Company has elected the package of three practical expedients, which includes the following: an entity may elect not to reassess whether expired or existing contracts contain a lease under the revised definition of a lease; an entity may elect not to reassess the lease classification for expired or existing leases; and an entity may elect not to reassess whether previously capitalized initial direct costs would qualify for capitalization. The Company has elected not to utilize the hindsight expedient in determining the lease term, and to not record leases with an initial term of 12 months or less on our condensed interim balance sheets. Additionally, the Company has elected to account for lease components and non-lease components as a single lease component for all asset classes. Lease expense is recognized over the expected term on a straight-line basis.

The Company entered into a sub-lease agreement for warehouse space from a related party on April 1, 2021. The Company pays 33.3 % of the related party's fixed monthly rent. The lease expired on September 30, 2023. The warehouse sub-lease has been extended until January 31, 2024, on a month-

to-month basis, with the Company able to terminate said lease with 15 days' notice. As of September 30, 2023, the minimum lease payments amount to \$ 0 for the year ending December 30, 2023.

As of September 30, 2023, the remaining lease term was 3.6 years and incremental borrowing rate was 7.00 %.

The table below includes the balances of operating lease right-of-use assets and operating lease liabilities as of September 30, 2023:

	<u>September 30, 2023</u>
Assets	
Operating lease right-of-use assets, net	\$ 1,066,825
Liabilities	
Operating lease liabilities – current	\$ 273,840
Operating lease liabilities – non-current	853,261
Total Lease Liabilities	<u>\$ 1,127,101</u>

The maturities of our operating lease liabilities as of September 30, 2023, are as follows:

Maturity of Operating Lease Liabilities	
2023	\$ 84,975
2024	346,698
2025	357,099
2026	367,812
2027	123,806
Total lease payments	1,280,390
Less: imputed interest	(153,289)
Present value of lease liabilities	<u>\$ 1,127,101</u>

NOTE 7: RELATED PARTY TRANSACTIONS

In the normal course of business, the Company made purchases from related parties for merchandise and shared services which amounted to (\$ 28,719) and \$ 96,051 for the 39 weeks ended September 30, 2023 and October 1, 2022, respectively.

A related party performs certain management services for the Company pursuant to a management services agreement. For these services, the Company pays a monthly management fee equal to 0.75 % of the Company's net sales collections.

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Management fees amounted to \$ 22,671 and \$ 23,421 for the 13 weeks ended September 30, 2023 and October 1, 2022, respectively, and are included in general and administrative expenses in the condensed interim statements of operations.

Management fees amounted to \$ 75,323 and \$ 79,925 for the 39 weeks ended September 30, 2023 and October 1, 2022, respectively, and are included in general and administrative expenses in the condensed interim statements of operations.

In addition, the Company is using a related party to run its Amazon Marketplace site.

The consulting fees for this service amounted to \$ 19,754 and \$ 26,068 for the 13 weeks ended September 30, 2023 and October 1, 2022, respectively. The consulting fees for this service amounted to \$ 57,505 and \$ 87,701 for the 39 weeks ended September 30, 2023 and October 1, 2022, respectively. The consulting fees for this service are included in general and administrative expenses in the condensed interim statements of operations.

The Company entered into a new revocable monthly sub-lease agreement for office space from a related party on January 1, 2021. The Company will pay 50 % of the related party's fixed monthly rent, including contingent rental expenses. On June 27, 2022, the parties signed a new lease agreement with a third party.

For the 13 and 39 weeks ended September 30, 2023 and October 1, 2022, related party office rent amounted to zero and \$ 82,500 , for both periods, respectively, and is included in general and administrative expenses in the condensed interim statements of operations.

The Company entered into a new sub-lease agreement for warehouse space from a related party on April 1, 2021. The Company will pay 33.3 % of the related party's fixed monthly rent. The lease was to expire on September 30, 2023 .. The warehouse sub-lease has been extended until January 31, 2024, on a month-to-month basis, with the Company able to terminate said lease with 15 days' notice.

As of September 30, 2023 and December 31, 2022, there was \$ 1,709,708 and \$ 1,107,665 due to related party, respectively.

See Note 8 for a description of short-term debt from affiliated entities under common control and from stockholders.

NOTE 8: SHORT-TERM DEBT

On August 13, 2021, the Company entered into two unsecured convertible promissory notes with stockholders in the aggregate amount of \$ 200,000 . Each of the convertible notes were payable on January 15, 2022 and were automatically convertible into shares of the Company's common stock at a conversion price equal to the per share price of the next equity funding completed by the Company in an amount of at least \$2,000,000 and requires the repayment of 110% of such convertible note amount upon a sale of the Company (including a change of 50% or more of the voting shares). On August 25, 2021, the parties agreed to amend the previously convertible notes to remove the conversion rights provided for therein and clarify that no interest accrues on the convertible notes. On March 31, 2022, and effective on January 15, 2022, the parties amended the notes to be payable on demand.

In September, October and November 2021, the Company borrowed \$ 2,500,000 from a stockholder. The notes are unsecured, noninterest-bearing and the principal was due on January 15, 2022, or was due at the rate of 110 % of such note amount, upon a sale of the Company (including a change of 50 % or more of the voting shares). On December 27, 2021, the Company paid \$ 500,000 of the outstanding loan amounts. On March 31, 2022, and effective on January 15, 2022, the parties amended the notes to be payable on demand. On July 2, 2022, the Company paid \$ 150,000 of the outstanding loan amounts.

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On September 18, 2023, the Company entered into a Debt Conversion agreement with Ezra Dabah, the holder of the September, October and November 2021 notes, the Chief Executive Officer and Chairman of the Company. The Company and Mr. Dabah agreed to convert an aggregate of \$ 1,200,000 of principal owed by the Company under the September 2021 note and part of the October 2021 notes, into an aggregate of 1,553,800 shares of restricted common stock of the Company. The conversion price was equal to \$ 0.7723 per share, which was above the closing consolidated bid price of the Company's common stock on the date the Debt Conversion Agreement was entered into. Pursuant to the Debt Conversion Agreement, which included customary representations and warranties of the parties, the stockholder agreed that the shares of common stock issuable in connection therewith were in full and complete satisfaction of the amounts owed under the converted notes.

NOTE 9: NET LOSS PER COMMON SHARE

The computation of basic net loss per share is based on the weighted average number of common shares outstanding for the 13 weeks ended September 30, 2023 and October 1, 2022. Diluted net loss per share gives effect to stock options and restricted stock units using the treasury stock method, unless the impact is anti-dilutive. Diluted net loss per share for the 13 weeks ended September 30, 2023 does not include 244,000 stock options and 176,000 restricted stock units as their effect was anti-dilutive.

	For the 13 weeks ended		For the 39 weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net loss	\$ (1,925,951)	\$ (2,438,330)	\$ (5,905,688)	\$ (5,821,071)
Weighted Average Shares – Basic	8,022,268	7,688,194	7,813,886	7,653,790
Dilutive effect of stock options and restricted stock units	-	-	-	-
Weighted Average Shares – Diluted	8,022,268	7,688,194	7,813,886	7,653,790
Basic net loss per share	(0.24)	(0.32)	(0.76)	(0.76)
Diluted net loss per share	(0.24)	(0.32)	(0.76)	(0.76)

NOTE 10: STOCKHOLDERS' EQUITY

On May 10, 2021, the Company filed an amended and restated Certificate of Incorporation which authorized 75,000,000 shares of common stock having a par value of \$ 0.001 per share and 25,000,000 shares of preferred stock having a par value of \$ 0.001 per share. All shares of common stock shall be of the same class and have equal rights, powers and privileges. The preferred stock may be issued from time to time in one or more series and each issued series may have full or limited designations, preferences, participating, special rights and limitations as adopted by the Board of Directors. In conjunction with this amendment, the Company completed a forward split of existing common stock whereby each one share of common stock was automatically split up and converted into 671 shares of common stock. The condensed interim statements of changes in stockholders' equity were restated to retroactively incorporate this stock split.

On May 12, 2021, the Company and each then stockholder of the Company, other than one minority stockholder holding 147,620 shares or 2.7 % of the Company's then outstanding common stock, entered into a Covenant Termination and Release Agreement, whereby each executing stockholder, in consideration for \$ 10 , agreed to terminate any and all preemptive rights, anti-dilutive rights, tag-along, drag-along or other special stockholder rights which they held as a result of the terms of any prior Investment Agreements or Conversion Agreements, and release the Company from any and all liability or obligations in connection with any such special stockholder rights.

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NOTE 11: EQUITY-BASED COMPENSATION

On May 9, 2021, the Board of Directors and majority stockholders adopted an Equity Incentive Plan which provides an opportunity for any employee, officer, director or consultant of the Company to receive incentive stock options, nonqualified stock options, restricted stock, stock awards, shares in performance of services or any combination of the foregoing.

On September 30, 2021, the Board of Directors and majority stockholders of the Company amended and restated its 2021 Equity Incentive Plan (as amended and restated, the "2021 Plan"). The 2021 Plan provides for the grant of incentive stock options, or ISOs, within the meaning of Section 422 of the Internal Revenue Code, to our employees, and for the grant of nonstatutory stock options, or NSOs, stock appreciation rights, restricted stock awards, restricted stock unit awards ("RSU awards"), performance awards and other forms of awards to our employees, directors and consultants and any of our affiliates' employees and consultants. A total of 2,600,000 shares of the Company's common stock were initially reserved for issuance under the 2021 Plan, and the number of reserved shares increases on April 1st of each year thereafter in an amount equal to the lesser of (A) five percent (5 %) of the total shares of common stock of the Company outstanding on the last day of the immediately preceding fiscal year; and (B) 1,500,000 shares of common stock; provided, however, that the Board of Directors may act prior to April 1st of a given year to provide that the increase for such year will be a lesser number of shares of common stock (the "Share Limit"), also known as an "evergreen" provision. As of the date of this filing, a total of 3,365,300 shares of the Company's common stock is available for awards under the 2021 Plan, without taking into account previously issued awards.

On November 10, 2021, prior to the pricing of the Company's initial public offering (the "IPO"), the Company granted (a) options to purchase an aggregate of 480,000 shares of our common stock at an exercise price of \$ 8.50 per share, to certain employees and consultants of the Company in consideration for services rendered and to be rendered through May 2024; (b) 254,000 restricted stock units, to certain executive officers; and (c) 10,000 restricted stock units ("RSUs") to a board of director member. Such options and restricted stock units vested (i) 1/3 on May 15, 2022; and (ii) 1/3 on May 15, 2023; and continue to vest (to the extent not forfeited) 1/3 on May 15, 2024. The options each have a term of five years . On May 15, 2022, 88,000 restricted stock units were vested of which 70,360 common stock shares were issued and 17,640 were forfeited and cancelled to settle tax liability on the vested shares. On May 15, 2023, 87,999 restricted stock units were vested of which 81,523 common stock shares were issued and 6,476 were forfeited and cancelled to settle tax liability on the vested shares. On July 21, 2023, 42,333 restricted stock units were vested of which 38,649 shares were issued and 3,684 were forfeited and cancelled to settle tax liability on the vested shares, in connection with a separation agreement entered into with the Company's former Chief Financial Officer.

In determining the fair value of the stock-based awards, we used the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment. *Expected Term* – The expected term represents the period that our stock options are expected to be outstanding and is determined using the simplified method (generally calculated as the mid-point between the vesting date and the end of the contractual term). *Expected Volatility* – The expected volatility was estimated based on the average volatility for publicly-traded companies that we considered comparable, over a period equal to the expected term of the stock option grants. *Risk-Free Interest Rate* – The risk-free interest rate is based on the U.S. Treasury zero coupon notes in effect at the time of grant for periods corresponding with the expected term of the option. *Expected Dividend* – We have not paid dividends on our common stock and do not anticipate paying dividends on our common stock; therefore, we use an expected dividend yield of zero.

The fair value of each option we issued–on November 10, 2021 was \$ 3.16 . The weighted average assumptions used included a risk-free interest rate of 0.88 %, an expected stock price volatility factor of 52.4 % and a dividend rate of 0 %. The fair value of each restricted stock unit we issued on November 10, 2021 was \$ 8.50 .

A summary of the Company's time-based stock option activity under the 2021 Plan was as follows:

	Number of Options	Weighted Average Exercise Price
Unvested options as of December 31, 2022	286,000	\$ 8.50
Granted	-	-
Vested	-	-
Forfeited/Repurchased	(42,000)	-
Unvested options as of September 30, 2023	<u>244,000</u>	<u>\$ 8.50</u>

As of September 30, 2023, there was approximately \$ 0.8 million of total unrecognized compensation cost related to unvested options and RSUs granted under the 2021 Plan, which is expected to be recognized over a weighted average service period of 0.65 years. The Company records the impact of any forfeitures of options as they occur.

Amortization of this charge, which is included in non-cash compensation expense, for the 13 weeks and 39 weeks ended September 30, 2023, was \$ 280,543 and \$ 838,972 , respectively, and it is included as part of payroll expense.

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NOTE 12: RISK CONCENTRATION AND UNCERTAINTIES

The Company uses various vendors for purchases of inventory. For the 13 weeks ended September 30, 2023, three vendors accounted for 89.1 % of inventory purchases. For the 13 weeks ended October 1, 2022, three vendors accounted for approximately 83.6 % of inventory purchases. For the 39 weeks ended September 30, 2023, three vendors accounted for 83.6 % of inventory purchases. For the 39 weeks ended October 1, 2022, two vendors accounted for approximately 48.5 % of inventory purchases.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Company's customer base. In addition, the Company reviews receivables and recognizes bad debt on a monthly basis for accounts that are deemed uncollectible.

NOTE 13: REVENUE, NET

	For the 13 weeks ended		For the 39 weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Subscription boxes	\$ 2,427,615	\$ 2,867,930	\$ 8,006,725	\$ 9,326,331
Third-party websites	491,851	468,835	1,355,062	1,577,412
Online website sales	469,717	296,702	1,505,793	830,389
Total revenue	<u>\$ 3,389,183</u>	<u>\$ 3,633,467</u>	<u>\$ 10,867,580</u>	<u>\$ 11,734,132</u>

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

You should read the following discussion and analysis of our financial condition and results of operations together with the condensed interim financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and the notes to those financial statements for the fiscal year ended December 31, 2022, which were included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 2023 (the "2022 Annual Report"). The following discussion contains forward-looking statements regarding future events and the future results of the Company that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. See also "Cautionary Statement Regarding Forward-Looking Information", above. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Quarterly Report and in other reports we file with the SEC. The Company undertakes no obligation to revise or update publicly any forward-looking statements for any reason, except as otherwise provided by law.

The following discussion is based upon our financial statements included elsewhere in this Quarterly Report, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these condensed interim financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingencies. In the course of operating our business, we routinely make decisions as to the timing of the payment of invoices, the collection of receivables, the shipment of products, the fulfillment of orders, the purchase of supplies, and the building of inventory, among other matters. Each of these decisions has some impact on the financial results for any given period. In making these decisions, we consider various factors including contractual obligations, customer satisfaction, competition, internal and external financial targets and expectations, and financial planning objectives. On an on-going basis, we evaluate our estimates, including those related to sales returns, allowance for doubtful accounts, impairment of long-term assets, especially goodwill and intangible assets, assumptions used in the valuation of stock-based compensation, and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Kidpik Corp. (the "Company") uses a 52–53-week fiscal year ending on the Saturday nearest to December 31 each year. The year ended December 30, 2023 is a 52-week year and referred to herein as fiscal "2023". The years ended December 31, 2022 and January 1, 2022 were both 52-week years. These years are referred to herein as fiscal "2022" and "2021", respectively. The Company's fiscal quarters are generally 13 weeks in duration. When the Company's fiscal year is 53 weeks long, the corresponding fourth quarter is 14 weeks in duration. References to the first quarter of fiscal 2023 and the first quarter of fiscal 2022, refer to the 13 weeks ended September 30, 2023 and October 1, 2022, respectively.

Certain capitalized terms used below but not otherwise defined, are defined in, and shall be read along with the meanings given to such terms in, the notes to the unaudited financial statements of the Company for the 13 weeks ended September 30, 2023 and October 1, 2022, above.

References to our websites and those of third parties below are for information purposes only and, unless expressly stated below, we do not

desire to incorporate by reference into this Report information in such websites.

Unless the context otherwise requires, references in this Report to "we," "us," "our," the "Registrant", the "Company," "Kidpik" and "Kidpik Corp." refer to Kidpik Corp.

In addition:

- "Active subscriptions" mean individuals who are scheduled to receive future boxes;
- "Boxes" mean the Company's subscription clothing, shoe and accessories boxes;
- "Customers" means anyone who has received at least one shipment through subscription, direct or indirect sale from the Company;
- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "Members" means customers who registered at least one subscription;
- "NASDAQ" means the NASDAQ Capital Market;
- "SEC" or the "Commission" refers to the United States Securities and Exchange Commission;
- "Securities Act" refers to the Securities Act of 1933, as amended; and
- "Subscriptions" mean orders for recurring box shipments.

Available Information

The Company makes available free of charge through its internet website, <https://investor.kidpik.com/sec-filings>, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Exchange Act, as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. Our SEC filings are also available to the public at the SEC's web site at <http://www.sec.gov>. Information contained in, or that can be accessed through, our website is not a part of, and is not incorporated into, this Report. Further, the Company's references to website URLs are intended to be inactive textual references only.

Introduction

Our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided in addition to the accompanying condensed interim financial statements and notes to assist readers in understanding our results of operations, financial condition, and cash flows. MD&A is organized as follows:

- Overview.
- Key Performance Indicators.
- Factors Affecting Our Future Performance.
- Components of Results of Operations.
- Results of Operations.
- Liquidity and Capital Resources.
- Critical Accounting Estimates.

Overview

We began operations in 2016 as a subscription-based e-commerce company on the proposition of making shopping easy, convenient, and accessible for parents by delivering fashionable and customized kids' outfits in a box. Kidpik provides kids clothing subscription boxes for boys and girls (sizes 12M-16) that include mix-&-match, coordinated outfits that are personalized based on each member's style preferences. We focus on providing entire outfits from head-to-toe (including shoes) by designing each seasonal collection in-house from concept to box.

Staying ahead in an emerging industry requires constant innovation in product and services. After launching with our girls' subscription boxes for sizes 4-14 in 2016, we have continued to expand our product offering and marketing channels. We expanded into boys' clothing, added larger sizes for boys and girls (up to 16 for apparel and 6 youth for shoes), in the Spring of 2022, added toddler sizes down to 2T & 3T for apparel and 7 & 8 toddler shoes. During the second quarter of 2022, we introduced sizes 12 months and 18 months apparel to our offerings. We have expanded our distribution by selling our branded products on third-party websites.

We also introduced an "add-on" option for all active members, whereby they can add additional items of their choosing to their next subscription box order. We plan to broaden the assortment of add-on items offered in an effort to increase the average box transaction size and gross margin. During the second quarter of 2022, we expanded our subscription box offerings, introducing a 12-piece box option in addition to our traditional 8-piece box, adding to the customer experience and providing an opportunity to drive additional revenue. We have also expanded our seasonal pre-styled fashion box and outfit assortment available on our e-commerce website, which provides an upsell opportunity for active members and additional variety for our e-commerce customers.

As of the date of this Report, we provide e-commerce services throughout the 48 contiguous U.S. states and Army Post Offices (APOs) and Fleet Post Offices (FPOs).

We have added new channels to our paid advertising strategy along with new affiliate partnerships, with the goal of increasing new member growth. In addition, we have focused on other revenue share marketing opportunities, such as continuing to scale our influencer ambassador program, and launched a consumer-facing brand ambassador program.

Key Performance Indicators

Key performance indicators that we use to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions include gross margin, shipped items, and average shipment keep rate, each described in greater detail below.

We also use the following metrics to assess the progress of our business, make decisions on where to allocate capital, time and technology investments and assess the near-term and longer-term performance of our business.

Gross Margin

	For the 13 weeks ended		For the 39 weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Gross margin	61.1%	60.3%	60.3%	60.4%

Gross profit is equal to our net sales less cost of goods sold. Gross profit as a percentage of our net sales is referred to as gross margin. Cost of sales consists of the purchase price of merchandise sold to customers and includes import duties and other taxes, freight in, returns from customers, inventory write-offs, and other miscellaneous shrinkage.

Adjusted EBITDA

In addition to our results calculated under generally accepted accounting principles in the United States ("U.S. GAAP"), and to provide investors with additional information regarding our financial results, we have disclosed in the table below and elsewhere in this Report, Adjusted EBITDA, a non-U.S. GAAP financial measure that we calculate as net loss before other expense, net, interest, taxes, depreciation and amortization, adjusted to exclude the effects of equity-based compensation expense, and certain non-routine items, which was a settlement of an insurance claim. We have provided below a reconciliation of Adjusted EBITDA to net loss, the most directly comparable U.S. GAAP financial measure.

We have included Adjusted EBITDA in this report because it is a key measure used by our management and board of directors to evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis and, in the case of exclusion of the impact of equity-based compensation, excludes an item that we do not consider to be indicative of our core operating performance. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital requirements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- Adjusted EBITDA does not reflect certain non-routine items that may represent a reduction in cash available to us; and
- Other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other U.S. GAAP results.

Our financial results include certain items that we consider non-routine and not reflective of the underlying trends in our core business operations.

A reconciliation of net loss to Adjusted EBITDA is as follows:

	For the 13 weeks ended		For the 39 weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net loss	\$ (1,925,951)	\$ (2,438,330)	\$ (5,905,688)	\$ (5,821,071)
Add (deduct)				
Interest expense	22,117	21,885	71,722	51,485
Other expense	-	-	-	(286,795)
Depreciation and amortization	12,503	7,670	35,616	19,989
Equity-based compensation	280,543	303,980	838,972	1,355,068
Adjusted EBITDA	\$ (1,610,788)	\$ (2,104,795)	\$ (4,959,378)	\$ (4,681,324)

Shipped Items

We define shipped items as the total number of items shipped in a given period to our customers through our active subscription, Amazon and online website sales.

	For the 13 weeks ended		For the 39 weeks ended	
	(in thousands)		(in thousands)	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Shipped Items	292	358	923	1,083

We believe the decreases in shipped items for the third quarter of 2023 and first 39 weeks of 2023 versus the same periods in 2022, as shown in the table above, were primarily driven by a decrease in subscription boxes sales as a result of a lower number of new customers being acquired during 2023, in comparison to 2022.

Average Shipment Keep Rate

	For the 13 weeks ended		For the 39 weeks ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Average Keep Rate	82.6%	68.5%	74.9%	69.4%

Average shipment keep rate is calculated as the total number of items kept by our customers divided by total number of shipped items in a given period.

Factors Affecting Our Future Performance

We believe that our performance and future success depend on several factors that present opportunities for us, but also pose risks and challenges, including those referenced in the section titled "Risk Factors."

Overall Economic Trends

The overall economic environment and related changes in consumer behavior have a significant impact on our business. In general, positive conditions in the broader economy promote customer spending on our sites, while economic weakness, which generally results in a reduction of customer spending, may have a more pronounced negative effect on spending on our sites. Macroeconomic factors that can affect customer spending patterns, and thereby our results of operations, include employment rates, high inflation, as is being currently experienced, business conditions, changes in the housing market, the availability of credit, increases in interest rates, as is being currently experienced and increases in fuel costs, energy costs, raw material costs, and supply chain challenges. We are continuing to navigate the uncertainties presented by the current macroeconomic environment and remain focused on improving the conversion of new members and our overall client experience.

Growth in Brand Awareness and Site Visits

We have continued investing in our brand marketing efforts. Since 2016, we have made significant investments to strengthen the "Kidpik" brand through expansion of our social media presence. If we fail to cost-effectively promote our brand or convert impressions into new customers, our net sales growth and profitability would be adversely affected.

Acquisition of New Subscriptions

Our ability to attract new subscriptions through marketing and the development of our brand is a key factor for our future growth. If we are unable to acquire sufficient new subscriptions in the future, our revenue might continue to decline. New subscriptions could be negatively impacted if our marketing efforts are less effective in the future. Increases in advertising rates have negatively impact our ability to acquire new subscriptions cost effectively. Consumer tastes, preferences, and sentiment for our brand may also change and result in decreased demand for our products and services. Laws and regulations relating to privacy, data protection, marketing and advertising, and consumer protection are evolving and subject to potentially differing interpretations. These requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices and procedures.

Social networks are important as a source of new clients and as a means by which to connect with current clients, and their importance may be increasing. We may be unable to effectively maintain a presence within these networks, which could lead to lower than anticipated brand affinity and awareness, and in turn could adversely affect our operating results. Further, mobile operating system and web browser providers, such as Apple and Google, have implemented product changes to limit the ability of advertisers to collect and use data to target and measure advertising. For example, Apple made a change in iOS 14 that required apps to get a user's opt-in permission before tracking or sharing the user's data across apps or websites owned by companies other than the app's owner. Google intends to further restrict the use of third-party cookies in its Chrome browser in 2024, consistent with similar actions taken by the owners of other browsers, such as Apple in its Safari browser, and Mozilla in its Firefox browser. These changes have reduced and will continue to reduce our ability to efficiently target and measure advertising, in particular through online social networks, making our advertising less cost effective and successful. We have been, and expect to continue to be, impacted by these changes.

Retention of Existing Subscribers

Our ability to retain subscribers is also a key factor in our ability to sustain revenues and generate revenue growth. Most of our current subscribers purchase products through subscription-based plans, where subscribers are billed and sent products on a recurring basis. The recurring nature of this revenue provides us with a certain amount of predictability for future revenue. If customer behavior changes, and customer retention decreases in the future, then future revenue will be negatively impacted.

Inventory Management

To ensure sufficient availability of merchandise, we generally enter into purchase orders well in advance and frequently before apparel trends are confirmed by client purchases. As a result, we are vulnerable to demand and pricing shifts and to suboptimal selection and timing of merchandise purchases. From time to time, we include inventory write-offs and changes in inventory reserves that impact our gross margins. Because our merchandise assortment directly correlates to client success, we may at times optimize our inventory to prioritize long-term client success over short-term gross margin impact. Moreover, over inventory investments will fluctuate with the needs of our business.

Components of Results of Operations

Note that our classification of the various items making up cost of goods sold, shipping and handling, payroll and related costs, equity-based compensation and general and administrative costs may vary from other companies in our industry, and as such, may not be comparable to a competitor's.

Revenue

We generate revenue in two categories: 1) the sale items in our subscription boxes, and 2) the sale of one-time purchases via shop.kidpik.com, and third-party websites. We refer to these revenue classifications as "Subscription boxes" and "one-time purchases", respectively. Net revenue is revenue less promotional discounts, actual customer credits and refunds as well as customer credits and refunds expected to be issued, and sales tax.

When we use the term revenue in this Report, we are referring to net revenue, unless otherwise stated. We also recognize revenue resulting upon the use of gift cards. Customers who decide to return some or all of the merchandise they receive in each Kidpik box, may return such items within 10 days of receipt of the box. Customers are charged for subscription merchandise which is not returned, or which is accepted and are charged for general merchandise (non-subscription) when they purchase such merchandise; however, they are able to receive a refund on returned merchandise.

Cost of Goods Sold

Cost of goods sold consists of the costs of manufacturing merchandise and the expenses of shipping and importing (duty payments) such merchandise to our warehouse for distribution, and inventory write-offs, offset by the recoverable cost of merchandise estimated to be returned.

Shipping and Handling

Shipping and handling includes the costs of shipping merchandise to our customers, and back to us, as well as the cost of fulfillment and return processing, and the materials used for packing.

Payroll and Related Expenses

Payroll and related expenses represent employee salaries, taxes, benefits, shared-based compensation, and fees to our payroll provider.

General and Administrative Expenses

General and administrative expenses consist primarily of marketing, professional fees, third-party seller fees, rent, bad debt expense and credit card fees, among others.

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Depreciation and Amortization

Depreciation and amortization expenses consist of depreciation expense for leasehold improvements and equipment.

Interest Expense

Interest expense consists primarily of interest expense associated with our lines of credit, outstanding notes payable, and amortization of deferred expense related to our line of credit.

Other Income

Other income in the first quarter of 2022, mainly related to settlement of an insurance claim related to business interruption of damaged inventory.

Provision for Income Taxes

Our provision for income taxes consists of an estimate of federal and state income taxes based on enacted federal and state tax rates, as adjusted for allowable credits, deductions, uncertain tax positions, and changes in the valuation allowance of our net federal and state deferred tax assets.

Results of Operations

Comparison of the 13 weeks ended September 30, 2023 and October 1, 2022

Revenue

Our revenue for the 13 weeks ended September 30, 2023, decreased by 6.7% to \$3,389,183, compared to \$3,633,467 for the 13 weeks ended October 1, 2022, a decrease of \$244,284 from the prior period. Subscription box revenue decreased \$440,315, because of a reduction in new subscribers, due to a reduced interest in apparel based subscription shopping and an increased cost of customer acquisitions. The increase of \$173,015 in online website sales was driven by an increased focus on, and marketing expenditures associated with, an effort to drive online sales to offset the decrease in subscription box sales. The revenue breakdown by sales channel for the 13 weeks ended September 30, 2023 and October 1, 2022, is summarized in the table below:

	13 weeks ended September 30, 2023	13 weeks ended October 1, 2022	Change (\$)	Change (%)
Revenue by channel				
Subscription boxes	\$ 2,427,615	\$ 2,867,930	\$ (440,315)	(15.4)%
Third-party websites	491,851	468,835	23,016	4.9%
Online website sales	469,717	296,702	173,015	58.3%
Total revenue	\$ 3,389,183	\$ 3,633,467	\$ (244,284)	(6.7)%

Our revenue for the 39 weeks ended September 30, 2023, decreased by 7.4% to \$10,867,580, compared to \$11,734,132 for the 39 weeks ended October 1, 2022, a decrease of \$866,552 from the prior period. The increase in online website sales of \$675,404, was the result of a change in focus and marketing expenditures in connection with our effort to increase online sales, in order to offset a decrease in subscription box sales. The revenue breakdown by sales channel for the 39 weeks ended September 30, 2023 and October 1, 2022, is summarized in the table below:

	39 weeks ended September 30, 2023	39 weeks ended October 1, 2022	Change (\$)	Change (%)
Revenue by channel				
Subscription boxes	\$ 8,006,725	\$ 9,326,331	\$ (1,319,606)	(14.1)%
Third-party websites	1,355,062	1,577,412	(222,350)	(14.1)%
Online website sales	1,505,793	830,389	675,404	81.3%
Total revenue	\$ 10,867,580	\$ 11,734,132	\$ (866,552)	(7.4)%

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The revenue from subscription boxes for the 13 weeks ended September 30, 2023 and October 1, 2022, was generated from active subscriptions recurring boxes revenue and new subscriptions first box revenue. The decrease in new subscriptions – first box was mainly due to a decrease in customer acquisitions, as summarized in the table below:

	13 weeks ended September 30, 2023	13 weeks ended October 1, 2022	Change (\$)	Change (%)
<i>Subscription boxes revenue from</i>				
Active subscriptions – recurring boxes	\$ 1,971,223	\$ 2,297,212	\$ (325,989)	(14.2)%
New subscriptions – first box	456,392	570,718	(114,326)	(20.0)%
Total subscription boxes revenue	<u>\$ 2,427,615</u>	<u>\$ 2,867,930</u>	<u>\$ (440,315)</u>	<u>(15.4)%</u>

The revenue from subscription boxes for the 39 weeks ended September 30, 2023 and October 1, 2022, was generated from active subscriptions recurring boxes revenue and new subscriptions first box revenue. The decrease in active subscriptions is the result of starting the year with lower active members, as summarized in the table below:

	39 weeks ended September 30, 2023	39 weeks ended October 1, 2022	Change (\$)	Change (%)
<i>Subscription boxes revenue from</i>				
Active subscriptions – recurring boxes	\$ 6,549,547	\$ 8,084,104	\$ (1,534,557)	(19.0)%
New subscriptions – first box	1,457,178	1,242,227	214,951	17.3%
Total subscription boxes revenue	<u>\$ 8,006,725</u>	<u>\$ 9,326,331</u>	<u>\$ (1,319,606)</u>	<u>(14.1)%</u>

The decrease in revenue for the 13 weeks ended September 30, 2023 was primarily driven by a decrease in subscription boxes sales. Subscription box revenue decreased as a result of a reduction in new subscribers, due to a reduced interest in apparel-based subscription shopping and an increased cost of customer acquisitions. The revenue breakdown by product line for the 13 weeks ended September 30, 2023 and October 1, 2022 is summarized in the table below:

	13 weeks ended September 30, 2023	13 weeks ended October 1, 2022	Change (\$)	Change (%)
<i>Revenue by product line</i>				
Girls' apparel	\$ 2,599,762	\$ 2,692,466	\$ (92,704)	(3.4)%
Boys' apparel	642,051	758,733	(116,682)	(15.4)%
Toddlers' apparel	147,370	182,268	(34,898)	(19.1)%
Total revenue	<u>\$ 3,389,183</u>	<u>\$ 3,633,467</u>	<u>\$ (244,284)</u>	<u>(6.7)%</u>

The decrease in revenue for the 39 weeks ended September 30, 2023 was primarily driven by a decrease in subscription boxes sales, due to the difficult economic environment, consumers are cutting back on non-essential items including clothing. Also contributing to the decrease in revenues is the increased cost in acquiring customers. The revenue breakdown by product line for the 39 weeks ended September 30, 2023 and October 1, 2022 is summarized in the table below:

	39 weeks ended September 30, 2023	39 weeks ended October 1, 2022	Change (\$)	Change (%)
<i>Revenue by product line</i>				
Girls' apparel	\$ 8,284,482	\$ 8,712,027	\$ (427,545)	(4.9)%
Boys' apparel	2,070,147	2,448,178	(378,031)	(15.4)%
Toddlers' apparel	512,951	573,927	(60,976)	(10.6)%
Total revenue	<u>\$ 10,867,580</u>	<u>\$ 11,734,132</u>	<u>\$ (866,552)</u>	<u>(7.4)%</u>

The number of items shipped to our customers decreased by 18.3%, from approximately 358,000 for the 13 weeks ended October 1, 2022, to approximately 292,000 for the 13 weeks ended September 30, 2023, due to challenging subscription environment driven by a difficult economic environment, along with a decrease in consumer spending related to non-essential purchases which includes apparel. The average shipment keep rate increased to 82.6% in the 13 weeks ended September 30, 2023, compared to 68.5% in the 13 weeks ended October 1, 2022.

The number of items shipped to our customers decreased by 14.8%, from approximately 1,083,000 for the 39 weeks ended October 1, 2022, to approximately 923,000 for the 39 weeks ended September 30, 2023. The average shipment keep rate increased to 74.9% in the 39 weeks ended September 30, 2023, compared to 69.4% in the 39 weeks ended October 1, 2022.

Cost of Goods Sold

Our cost of goods sold decreased by 8.6% to \$1,317,684 for the 13 weeks ended September 30, 2023, compared to \$1,442,258 for the 13 weeks ended October 1, 2022, a decrease of \$124,574.

Our cost of goods sold decreased by 7.3% to \$4,309,473 for the 39 weeks ended September 30, 2023, compared to \$4,649,552 for the 39 weeks ended October 1, 2022, a decrease of \$340,079.

The decrease in cost of goods sold for the 13 and 39 weeks ended September 30, 2023, compared to the same periods in fiscal 2022, was primarily attributable to the decrease in our subscription box sales as discussed above.

Gross Profit and Gross Profit as a Percentage of Revenue

Our gross profit was \$2,071,499 for the 13 weeks ended September 30, 2023, compared to gross profit of \$2,191,209 for the 13 weeks ended October 1, 2022. The decrease in gross profit for the 13 weeks ended September 30, 2023, compared to the same period in fiscal 2022, was primarily attributable to the decrease in our subscription box sales, related to a difficult economic environment in which consumers pulled back spending on non-essential items, including clothing as well as the increased cost to acquire customers.

Gross profit as a percentage of revenue was 61.1% for the 13 weeks ended September 30, 2023, compared to 60.3% for the 13 weeks ended October 1, 2022.

Our gross profit was \$6,558,107 for the 39 weeks ended September 30, 2023, compared to gross profit of \$7,084,580 for the 39 weeks ended October 1, 2022. The decrease in gross profit for the 39 weeks ended September 30, 2023, compared to the same period in fiscal 2022, was primarily attributable to the decrease in our subscription box sales.

Gross profit as a percentage of revenue was 60.3% for the 39 weeks ended September 30, 2023, compared to 60.4% for the 39 weeks ended October 1, 2022.

Operating Expenses

Our operating expenses for the 13 weeks ended September 30, 2023 and October 1, 2022, are summarized in the table below:

	13 weeks ended September 30, 2023	13 weeks ended October 1, 2022	Change (\$)	Change (%)
Expenses				
Shipping and handling	\$ 1,032,678	\$ 1,042,186	\$ (9,508)	(0.9)%
Payroll, related costs and equity-based compensation	991,044	1,191,515	(200,471)	(16.8)%
General and administrative	1,939,108	2,366,283	(427,175)	(18.1)%
Depreciation and amortization	12,503	7,670	4,833	63.0%
Total expenses	\$ 3,975,333	\$ 4,607,654	\$ (632,321)	(13.7)%

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Our operating expenses include general and administrative expenses, salaries and benefits, shipping and handling, and depreciation and amortization, as shown in the tables above. Our operating expenses for the 13 weeks ended September 30, 2023, decreased by \$632,321 or 13.7% to \$3,975,333, compared to \$4,607,654 for the 13 weeks ended October 1, 2022. This decrease was mainly a result of (i) a \$427,175 decrease in general and administrative expenses, mainly due to a decrease in marketing expenses due to a pull back on social media spending, bad debt expense and franchise tax fees, and (ii) a decrease in payroll and related costs of \$200,471, due to a decrease in non-cash, equity-based compensation and lower headcount related to cost reductions, recorded in the third quarter of 2023, compared to the same period in fiscal 2022.

Our operating expenses for the 39 weeks ended September 30, 2023 and October 1, 2022, are summarized in the table below:

	39 weeks ended September 30, 2023	39 weeks ended October 1, 2022	Change (\$)	Change (%)
Expenses				
Shipping and handling	\$ 3,171,634	\$ 3,133,411	\$ 38,223	1.2%
Payroll, related costs and equity-based compensation	3,196,280	4,137,495	(941,215)	(22.7)%
General and administrative	5,988,543	5,850,066	138,477	2.4%
Depreciation and amortization	35,616	19,989	15,627	78.2%
Total expenses	\$ 12,392,073	\$ 13,140,961	\$ (748,888)	(5.7)%

Our operating expenses include general and administrative expenses, salaries and benefits, shipping and handling, and depreciation and amortization, as shown in the tables above. Our operating expenses for the 39 weeks ended September 30, 2023, decreased by \$748,888 or 5.7% to \$12,392,073, compared to \$13,140,961 for the 39 weeks ended October 1, 2022. This decrease was mainly a result of (i) a decrease in payroll and related costs of \$941,215, mainly due to a decrease in non-cash, equity-based compensation and lower headcount, recorded in the third quarter of 2023, compared to the same period in fiscal 2022, offset by (ii) a \$138,477 increase in general and administrative expenses, mainly due to an increase in marketing expenses and franchise tax fees, offset by a decrease in bad debt expenses.

Loss from Operations

Loss from operations decreased from \$2,416,445 for the 13 weeks ended October 1, 2022, to \$1,903,834 for the 13 weeks ended September 30, 2023. The decrease in loss from operations was largely due to a decrease in payroll and related expenses and decrease general and administrative expenses as discussed above.

Loss from operations decreased from \$6,056,381 for the 39 weeks ended October 1, 2022, to \$5,905,688 for the 39 weeks ended September 30, 2023. The decrease in loss from operations was largely due to a decrease in payroll related expenses, offset by an increase in general and administrative expenses as discussed above.

Other Expenses (Income)

For the 13 weeks ended September 30, 2023 and October 1, 2022, total other expenses, consisting solely of interest expenses, were relatively flat at \$22,117 and \$21,885, respectively.

Total other expenses (income) were \$71,722 and (\$235,310) for the 39 weeks ended September 30, 2023 and October 1, 2022, respectively. The increase in interest expense from \$51,485 for the 39 weeks ended October 1, 2022 to \$71,722 for the 39 weeks ended September 30, 2023, is related to the Company's operating leases accounting requirements and a decrease in other income for the 39 weeks ended September 30, 2023 from \$286,795 for the 39 weeks ended October 1, 2022 to \$0 for the 39 weeks ended September 30, 2023, was due to a settlement of insurance claim related to damaged inventory.

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Net Loss

We had a net loss of \$1,925,951 for the 13 weeks ended September 30, 2023, compared to a net loss of \$2,438,330 for the 13 weeks ended October 1, 2022, a decrease in net loss of \$512,379 or 21.0%. The decrease in net loss was primarily due to the decrease in payroll of \$200,471, offset by decreased revenue of \$244,284, and a decrease in general and administrative expenses of \$427,175, each as discussed in greater detail above.

We had a net loss of \$5,905,688 for the 39 weeks ended September 30, 2023, compared to a net loss of \$5,821,071 for the 39 weeks ended October 1, 2022, an increase in net loss of \$84,617 or 1.5%. The increase in net loss was primarily due to an increase in general and administrative expenses of \$138,477 and a decrease in revenue of \$866,552, offset by a decrease in payroll of \$941,215 and other income of \$286,795, each as discussed in greater detail above.

Liquidity and Capital Resources

	September 30, 2023	December 31, 2022	Change (\$)	Change (%)
Cash and restricted cash	\$ 60,305	\$ 605,213	\$ (544,908)	(90.0)%
Working capital	\$ 4,553,388	\$ 8,273,601	\$ (3,720,213)	(45.0)%
Short-term debt, related party	\$ 850,000	\$ 2,050,000	\$ (1,200,000)	(58.5)%

On September 30, 2023, we had \$60,305 of cash on hand (including restricted cash of \$4,618), compared to \$605,213 of cash on hand at December 31, 2022 (including restricted cash of \$4,618).

As of September 30, 2023, the Company had total current liabilities of \$5,130,056, consisting mainly of accounts payable of \$1,930,858, accounts payable to related party of \$1,709,708, accrued expenses of \$365,650, operating lease liability of \$273,840 and short-term debt from related party of \$850,000 (discussed below).

As of September 30, 2023, we had \$9,683,444 in total current assets, \$5,130,056 in total current liabilities, working capital of \$4,508,388 and a total accumulated deficit of \$47,440,133.

From inception through November 10, 2021, we mainly relied on equity and loans from Ezra Dabah, our Chief Executive Officer and Chairman, and his family (which loans have all, other than \$850,000, been converted into equity as of September 30, 2023), notes payable including from Nina Footwear Corp. which is 86.36% owned by Ezra Dabah and his family, including Moshe Dabah, our Vice President, Chief Operating Officer and Chief Technology Officer, for which entity Ezra Dabah serves as Chief Executive Officer and as a member of the Board of Directors of "Nina Footwear", a related party, and a line of credit (repaid as of January 1, 2022), and cash advance agreements (which have since been terminated), as well as revenue generated through our operations, to support our operations since inception. We have primarily used our available cash to pay operating expenses (salaries and other expenses), and for merchandise inventory costs, shipping costs and marketing expenditures. We do not have any material commitments for capital expenditures. Following the closing of our initial public offering ("IPO") in November 2021, we have relied on the funds raised in the IPO, as well as revenue generated through our operations, to support our operations.

On March 22, 2023, we received written notice (the "Notification Letter") from the Listing Qualifications Department of The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that it is not in compliance with the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market. Nasdaq Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of \$1.00 per share, and Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of thirty (30) consecutive business days. Based on the closing bid price of the Company's common stock for the thirty (30) consecutive business days from February 7, 2023 to March 21, 2023, the Company no longer meets the minimum bid price requirement.

The Notification Letter did not impact the Company's listing of its common stock on the Nasdaq Capital Market. The Notification Letter stated that the Company had 180 calendar days or until September 18, 2023, to regain compliance with Nasdaq Listing Rule 5550(a)(2), provided that the Company subsequently obtained an additional 180 extension from Nasdaq, pursuant to Nasdaq's rules, and currently has until March 18, 2024, to regain compliance with the Minimum Bid Price Requirement.

To regain compliance, the bid price of the Company's common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company fails to regain compliance by March 18, 2024, or if it appears to Nasdaq that the Company will not be able to cure the deficiency, the Company's common stock will be subject to delisting, at which point the Company would have an opportunity to appeal the delisting determination to a Hearings Panel.

The Company intends to monitor the closing bid price of its common stock and if appropriate, plans to affect a reverse stock split to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules. The Company has received stockholder approval of an amendment to the Company's Second Amended and Restated Certificate of Incorporation, to effect a reverse stock split of the Company's issued and outstanding shares of our common stock, par value \$0.001 per share, by a ratio of between one-for-five to one-for-twenty, inclusive, with the exact ratio to be set at a whole number to be determined by the Company's Board of Directors or a duly authorized committee thereof in its discretion, at any time after approval of the amendment and prior to April 24, 2024. The Board of Directors may determine to affect a reverse stock split of the Company's outstanding common stock in the future to attempt to cure the trading price deficiency raised by Nasdaq.

Cash Flows

	39 weeks ended September 30, 2023	39 weeks ended October 1, 2022
Cash used in:		
Operating activities	\$ (461,162)	\$ (7,040,580)
Investing activities	\$ (77,299)	\$ (42,903)
Financing activities	\$ (6,447)	\$ (1,115,847)
Net decrease in cash	\$ (544,908)	\$ (8,199,330)

Net cash used in operating activities decreased to \$461,162 for the 39 weeks ended September 30, 2023, compared to \$7,040,580 for the 39 weeks ended October 1, 2022. The decrease in our cash used in operating activities of approximately \$6.6 million was primarily due to changes in operating assets and liabilities in the amount of approximately \$7.4 million mainly due to a reduction in inventory, offset by adjustments for non-cash items totaling approximately \$0.72 million, as discussed in greater detail above.

Net cash used in investing activities during the 39 weeks ended September 30, 2023 and October 1, 2022 was \$77,299 and \$42,903, respectively, each of which was related solely to leasehold improvements.

Net cash used in financing activities decreased to \$6,447 for the 39 weeks ended September 30, 2023, compared to \$1,115,847 for the 39 weeks ended October 1, 2022. The decrease in cash used in investing activities of approximately \$1.1 million was primarily due to repayments of advances of \$0.93 million and repayments of loan payable of \$0.15 million.

Related Party Convertible Notes and Loans

On August 13, 2021, the Company entered into two unsecured convertible promissory notes with stockholders in the aggregate amount of \$200,000. Each of the convertible notes were payable on January 15, 2022 and were automatically convertible into shares of the Company's common stock at a conversion price equal to the per share price of the next equity funding completed by the Company in an amount of at least \$2,000,000 and requires the repayment of 110% of such convertible note amount upon a sale of the Company (including a change of 50% or more of the voting shares). On August 25, 2021, the parties agreed to amend the previously convertible notes to remove the conversion rights provided for therein and clarify that no interest accrues on the convertible notes. On March 31, 2022, and effective on January 15, 2022, the parties amended the notes to be payable on demand.

In September, October and November 2021, the Company borrowed an aggregate of \$2,500,000 from Ezra Dabah, who is our Chief Executive Officer and Chairman. The notes are unsecured, noninterest-bearing and the principal is fully due on January 15, 2022, at the rate of 110% of such note amount upon a sale of the Company (including a change of 50% or more of the voting shares). On December 27, 2021, the Company paid \$500,000 of the outstanding loan amounts. On March 31, 2022, and effective on January 15, 2022, the parties amended the notes to be payable on demand. On June 2, 2022, Company paid \$150,000 of the outstanding loan amounts.

On September 18, 2023, the Company entered into a Debt Conversion agreement with Ezra Dabah. The Company and Mr. Dabah agreed to convert an aggregate of \$1,200,000 of principal owed by the Company to Mr. Dabah into an aggregate of 1,553,800 shares of restricted common stock of the Company. Pursuant to the Debt Conversion Agreement, which included customary representations and warranties of the parties, Mr. Dabah agreed that the shares of common stock issuable in connection therewith were in full and complete satisfaction of the amounts owed under the notes which were converted.

As of September 30, 2023 and December 31, 2022, there was \$1,709,708 and \$1,107,665 due to related party (Nina Footwear), respectively.

Need for Future Funding; Review of Strategic Alternatives

We expect to continue to generate net losses for the foreseeable future. The Company's ability to continue its operations is dependent upon obtaining new financing for its ongoing operations and on the Company's plans to reduce its inventory level. To manage operating cash flows in the near term, the Company plans to significantly reduce purchases of new inventory and if available, may enter into cash advance or other financing arrangements. Future financing options which may be available to the Company include equity financings, debt financings or other capital sources, including collaborations with other companies or other strategic transactions to fund existing operations and execute management's growth strategy. Equity financings may include sales of common stock, warrants or convertible securities. Such financing may not be available on terms favorable to the Company or at all and may cause significant dilution to existing stockholders. The terms of any financing may adversely affect the holdings or rights of the Company's stockholders. There is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continued operations, if at all, which would have a material adverse effect on its business, financial condition and results of operations, and it could ultimately be forced to discontinue its operations, enter into bankruptcy and/or liquidate. These matters, when considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that the condensed interim financial statements are issued. The accompanying condensed interim financial statements do not contain any adjustments to reflect the possible future effects on the classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

As a result of the difficult economic environment in which consumers are pulling back on spending on non-essential items, including clothing, as well recent increases in the Company's cost to acquire customers, due to changes in the use of "cookie" tracking technologies, the Company is currently working to reduce expenses and overhead, sell off inventory, and reduce employees. Additionally, the Company plans to initiate a formal review process to evaluate strategic alternatives for the Company. The Board of Directors and management team are committed to acting in the best interests of the Company, its stockholders and its stakeholders. There is no deadline or definitive timetable set for completion of the strategic alternatives review process and there can be no assurance that this process will result in the Company pursuing a transaction or any other strategic outcome. Transactions which may be undertaken by the Company, may include, but are not limited to, business combinations, liquidations of assets and/or a sale of the Company or its assets. The Company does not intend to make any further public comment regarding the review of strategic alternatives until it has been completed or the Company determines that a disclosure is required by law or otherwise deemed appropriate. Risks relating to a potential strategic transaction are disclosed in greater detail under the risk factor titled "We may enter into strategic transactions in the future which may result in a material change in our operations and/or a change of control.", under "Part II – Other Information — "Item 1A. Risk Factors".

Critical Accounting Estimates

Our condensed interim financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q are prepared in accordance with U.S. GAAP. The preparation of condensed interim financial statements requires management to make estimates and assumptions that affect the reporting values of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed interim financial statements, and the reported amounts of revenue and expenses during the reporting period. The more significant estimates and assumptions are those used in determining the recoverability of long-lived assets and inventory obsolescence. Accordingly, actual results could differ from those estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

Our critical accounting policies are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in the 2022 Annual Report and in "Note 2: Summary of Significant Accounting Policies" to the audited financial statements appearing in the 2022 Annual Report. During the 39 weeks ended September 30, 2023, there were no material changes to our critical accounting policies from those discussed in our 2022 Annual Report.

JOBS Act and Recent Accounting Pronouncements

The JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act.

We have implemented all new accounting pronouncements that are in effect and may impact our financial statements and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations.

Recent Accounting Pronouncements

Refer to "Note 2: Summary of Significant Accounting Policies" to our unaudited financial statements included in this Quarterly Report on Form 10-Q for a discussion of recently issued accounting pronouncements not yet adopted.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Accounting Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023, the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our Chief Executive Officer and Chief Accounting Officer have concluded that, as of such date, our disclosure controls and procedures were effective.

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Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the 13 weeks ended September 30, 2023 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in various legal proceedings that arise in the ordinary course of business, principally personal injury and property casualty claims. Those claims, even if lacking merit, could result in the expenditure by us of significant financial and managerial resources. We are not party to any material legal proceedings at this time. We may become involved in material legal proceedings in the future.

Item 1A. Risk Factors

Reference is made to Part I, Item 1A, "Risk Factors" included in our 2022 Annual Report for information concerning risk factors, which should be read in conjunction with the factors set forth in "Cautionary Statement Regarding Forward-Looking Information" of this Report. There have been no material changes with respect to the risk factors disclosed in our 2022 Form 10-K, except as set forth below. You should carefully consider such factors in the 2022 Form 10-K, and below, which could materially affect our business, financial condition or future results. The risks described in the 2022 Form 10-K and below, are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

There is substantial doubt about our ability to continue as a going concern and we will need additional capital which may not be available on favorable terms, if at all.

We have experienced net losses in each year since our inception. We had accumulated deficits of \$47,440,133 and \$41,534,445 as of September 30, 2023 and December 31, 2022, respectively. For the 39 weeks ended September 30, 2023 and October 1, 2022, we incurred net losses of \$5,905,688 and \$5,821,071, respectively. In the years ended December 31, 2022 and January 1, 2022, we incurred net losses of \$7,615,261 and \$5,947,547, respectively. On September 30, 2023, we had \$60,305 of cash on hand (including restricted cash of \$4,618), \$9,683,444 in total current assets, \$5,130,056 in total current liabilities, working capital of \$4,508,388 and a total accumulated deficit of \$47,440,133. The Company's ability to continue its operations is dependent upon obtaining new financing for its ongoing operations and on the Company's plans to reduce the inventory level. To manage operating cash flows in the near term, the Company plans to significantly reduce purchases of new inventory and if available, may enter into cash advance or other financing arrangements. Future financing options available to the Company include equity financings, debt financings or other capital sources, including collaborations with other companies or other strategic transactions to fund existing operations and execute management's growth strategy. Equity financings may include sales of common stock, warrants and/or preferred stock. Such financing may not be available on terms favorable to the Company or at all. The terms of any financing may adversely affect the holdings or rights of the Company's stockholders and may cause significant dilution to existing stockholders. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continued operations, if at all, which would have a material adverse effect on its business, financial condition and results of operations, and it could ultimately be forced to discontinue its operations, seek bankruptcy protection and/or liquidate. These matters, when considered in the aggregate, raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time, which is defined as within one year after the date that the financial statements are issued. The accompanying condensed interim financial statements do not contain any adjustments to reflect the possible future effects on the classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty. The doubt regarding our potential ability to continue as a going concern may adversely affect our ability to obtain new financing on reasonable terms or at all. Additionally, if we are unable to continue as a going concern, our stockholders may lose some or all of their investment in the Company. If we are unable to access additional capital moving forward, it may hurt our ability to grow and to generate future revenue, or may force us to seek bankruptcy protection and any investment in the Company could be lost as part of any bankruptcy proceeding.

We have, and plan to continue to, reduce purchases of inventory to conserve cash.

Over the past several quarters, and moving forward, to manage operating cash flows, the Company plans to significantly reduce purchases of new inventory. Reductions in the purchase of inventory may also result in reduced revenue, as we can only sell merchandise that we have in inventory.

Additionally, in the event the market for our products increases in the near term, we may not have available inventory of products which customers or members desire to purchase and/or enough of those products to keep up with demand. As a result, our revenues and margins may decrease, which could have a material adverse effect on our operating results and the value of our securities.

We may have difficulties finding suitable warehouse space and our move to a new warehouse space may be costly and/or result in an interruption of our operations.

The Company entered into a sub-lease agreement for warehouse space from a related party on April 1, 2021. The Company pays 33.3% of the related party's fixed monthly rent. The lease was to expire on September 30, 2023, but the warehouse sub-lease has been extended until January 31, 2024, on a per-diem basis, with the Company able to terminate said sub-lease with 15 days' notice. We will need to find alternative warehouse space when our current sub-lease expires on January 31, 2024. We may not be able to find suitable warehouse space, such alternative warehouse space may not be as large, or allow us to operate at the same efficiency levels as our current space, and we expect to expend significant resources moving to such new warehouse space, outfitting such space for our operations, and purchasing new equipment in connection therewith. The move from our current warehouse to a new warehouse could result in a temporary or prolonged interruption in our business activities. The terms of such warehouse space rental may also not be as favorable to us as our current lease, may be significantly more expensive and/or may require us to expend additional amounts on expenses which are covered by our current agreement. Additionally, certain of our employees may decide to terminate their employment with us rather than relocate to a new location. Any of the above could result in an increase in our operating expenses, interruptions in our business activities, and decreased revenues, which could have a material adverse effect on the value of our securities.

We may enter into strategic transactions in the future which may result in a material change in our operations and/or a change of control.

The costs and expenses of our public reporting obligations are material, and materially affect our quarterly results of operations and profitability. As a result of the difficult economic environment in which consumers are pulling back on spending on non-essential items, including clothing, as well recent increases in the Company's cost to acquire customers, due to changes in the use of "cookie" tracking technologies, the Company is currently working to reduce expenses and overhead, sell off inventory, and reduce employees. Additionally, the Company plans to initiate a formal review process to evaluate strategic alternatives for the Company. The Board of Directors and management team are committed to acting in the best interests of the Company, its stockholders and its stakeholders. There is no deadline or definitive timetable set for completion of the strategic alternatives review process and there can be no assurance that this process will result in the Company pursuing a transaction or any other strategic outcome. Transactions which may be undertaken by the Company, may include, but are not limited to, business combinations, liquidations of assets and/or a sale of the Company or its assets. The Company does not intend to make any further public comment regarding the review of strategic alternatives until it has been completed or the Company determines that a disclosure is required by law or otherwise deemed appropriate.

As a result of the above, in the future, we or our majority stockholder, may enter into transactions with parties seeking to merge and/or acquire us and/or our operations. While we have not entered into any agreements or understandings with any such parties to date, in the event that we do enter into such a transaction or transactions in the future, our majority stockholder(s) will likely change and new shares of common stock or preferred stock could be issued resulting in substantial dilution to our then current stockholders. As a result, our new majority stockholders may change the composition of our Board of Directors and may replace our current management. Any future transaction may also result in a change in our business focus. We have not entered into any agreements relating to any strategic transaction involving the Company as of the date of this filing and may not enter into such agreements in the future. Any future strategic transaction involving the Company or its operations may have a material effect on our operations, cash flows, results of operations, prospects, plan of operations, the listing of our common stock on Nasdaq, our officers, directors and majority stockholder(s), and the value of our securities.

There is no guarantee that our common stock will continue to trade on the NASDAQ Capital Market.

Our common stock is currently listed on NASDAQ under the symbol "PIK". There is no guarantee that we will be able to maintain our listing on NASDAQ for any period of time. Among the conditions required for continued listing on Nasdaq, NASDAQ requires us to maintain at least \$2.5 million in stockholders' equity, \$35 million in market value of listed securities, or \$500,000 in net income over the prior two years or two of the prior three years, to have a majority of independent directors (subject to certain *"controlled company"* exemptions, which we currently plan to take advantage of, as discussed in greater detail under *"Ezra Dabah, our Chief Executive Officer and Chairman and his family, own greater than 50% of our outstanding shares of common stock, which causes us to be deemed a "controlled company" under the rules of Nasdaq"*), to comply with certain audit committee requirements, and to maintain a stock price over \$1.00 per share. Our stockholders' equity may not remain above NASDAQ's \$2.5 million minimum, we may not generate over \$500,000 of yearly net income moving forward, we may not maintain \$35 million in market value of listed securities, we may not be able to maintain independent directors (to the extent required), and as discussed below, we do not currently have a stock price over \$1.00 per share. Nasdaq's determination that we fail to meet the continued listing standards of NASDAQ may result in our securities being delisted from Nasdaq.

On March 22, 2023, the Company received written notice (the "Notification Letter") from the Listing Qualifications Department of The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that it is not in compliance with the minimum bid price requirements set forth in Nasdaq Listing Rule 5550(a)(2) for continued listing on The Nasdaq Capital Market. Nasdaq Listing Rule 5550(a)(2) requires listed securities to maintain a minimum bid price of \$1.00 per share, and Listing Rule 5810(c)(3)(A) provides that a failure to meet the minimum bid price requirement exists if the deficiency continues for a period of thirty (30) consecutive business days. Based on the closing bid price of the Company's common stock for the thirty (30) consecutive business days from February 7, 2023 to March 21, 2023, the Company no longer meets the minimum bid price requirement.

The Notification Letter did not impact the Company's listing of its common stock on the Nasdaq Capital Market at that time. The Notification Letter stated that the Company had 180 calendar days or until September 18, 2023, to regain compliance with Nasdaq Listing Rule 5550(a)(2), provided that such date was subsequently extended to March 18, 2024, upon request to Nasdaq, and in accordance with Nasdaq's rules. To regain compliance, the bid price of the Company's common stock must have a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive business days. If the Company fails to regain compliance by March 18, 2024, or if it appears to Nasdaq that the Company will not be able to cure the deficiency, the Company's common stock will be subject to delisting, at which point the Company would have an opportunity to appeal the delisting determination to a Hearings Panel.

The Company intends to monitor the closing bid price of its common stock and may, if required, implement a reverse stock split to regain compliance with the minimum bid price requirement under the Nasdaq Listing Rules. The Company also received stockholder approval at its 2023 Annual Meeting of Stockholders held on June 19, 2023, of an amendment to the Company's Second Amended and Restated Certificate of Incorporation, to effect a reverse stock split of the Company's issued and outstanding shares of common stock, by a ratio of between one-for-five to one-for-twenty, inclusive, with the exact ratio to be set at a whole number to be determined by the Company's Board of Directors or a duly authorized committee thereof in its discretion, at any time prior to April 24, 2024.

The absence of such a listing on Nasdaq may adversely affect the acceptance of our common stock as currency or the value accorded by other

parties. Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. If our common stock is delisted by Nasdaq, our common stock may be eligible to trade on an over-the-counter quotation system, such as the OTCQB Market or the Pink Open Market, where an investor may find it more difficult to sell our securities or obtain accurate quotations as to the market value of our securities. In the event our common stock is delisted from Nasdaq in the future, we may not be able to list our common stock or warrants on another national securities exchange or obtain quotation on an over-the-counter quotation system.

A delisting of our common stock from the Nasdaq could adversely affect our business, financial condition and results of operations and our ability to attract new investors, reduce the price at which our common stock trades, decrease, investors' ability to make transactions in our common stock, decrease the liquidity of our outstanding shares, increase the transaction costs inherent in trading such shares, and reduce our flexibility to raise additional capital without overall negative effects for our stockholders.

Economic uncertainty may affect our access to capital and/or increase the costs of such capital.

Global economic conditions continue to be volatile and uncertain due to, among other things, consumer confidence in future economic conditions, fears of recession and trade wars, the price of energy, fluctuating interest rates, the availability and cost of consumer credit, the availability and timing of government stimulus programs, levels of unemployment, increased inflation, tax rates, and the war between Ukraine and Russia which began in February 2022, as well as the current ongoing war between Hamas and Israel, which began in October 2023. These conditions remain unpredictable and create uncertainties about our ability to raise capital in the future. In the event required capital becomes unavailable in the future, or more costly, it could have a material adverse effect on our business, future results of operations, and financial condition.

Adverse macro-economic conditions, including inflation, could adversely impact our operating results.

Heightened levels of inflation and the potential worsening of macro-economic conditions, including slower growth or recession, changes to fiscal and monetary policy, tighter credit, higher interest rates and currency fluctuations, present a risk for us, our suppliers and the stability of our industry. If inflation remains at current levels for an extended period, or increases, and we are unable to successfully mitigate the impact, our costs are likely to increase, resulting in pressure on our profits, margins and cash flows, particularly any fixed-price contracts. Any of the above may have a material adverse effect on our results of operations and the value of our securities.

Ezra Dabah, our Chief Executive Officer and member of our Board of Directors, beneficially owns greater than 50% of our outstanding shares of common stock, which means we are deemed a "controlled company" under the rules of Nasdaq.

Pursuant to the terms of a voting agreement, Mr. Dabah individually, currently controls approximately 68.1% of the voting power of our capital stock. As a result, Mr. Dabah, our Chief Executive Officer and member of our Board of Directors and members of his family, own more than 50% of our outstanding shares, and as such, we are a "controlled company" under the rules of Nasdaq. Under these rules, a company of which more than 50% of the voting power is held by an individual, a group or another company is a "controlled company" and, as such, can elect to be exempt from certain corporate governance requirements, including requirements that:

- a majority of the Board of Directors consist of independent directors;
- the board maintain a nominations committee with prescribed duties and a written charter; and
- the board maintain a compensation committee with prescribed duties and a written charter and comprised solely of independent directors.

As a "controlled company," we may elect to rely on some or all of these exemptions, and we have, and currently intend to continue, to take advantage of all of these exemptions. Accordingly, should the interests of Mr. Dabah and his family differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq corporate governance standards. Even if we do not avail ourselves of these exemptions in the future, our status as a controlled company could make our common stock less attractive to some investors or otherwise harm our stock price. Additionally, as a "controlled company", and because we have, and continue to intend to, take advantage of all of the exemptions under the rules of Nasdaq relating to "controlled companies", you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

A reverse stock split may not increase our stock price and have the desired effect of maintaining compliance with the rules of the Nasdaq.

The Company received stockholder approval at its 2023 Annual Meeting of Stockholders held on June 19, 2023, of an amendment to the Company's Second Amended and Restated Certificate of Incorporation, to effect a reverse stock split of the Company's issued and outstanding shares of common stock, by a ratio of between one-for-five to one-for-twenty, inclusive, with the exact ratio to be set at a whole number to be determined by the Company's Board of Directors or a duly authorized committee thereof in its discretion, at any time prior to April 24, 2024.

The Board expects that a reverse stock split of our common stock will increase the market price of our common stock so that we are able to regain and maintain compliance with the Nasdaq minimum bid price listing standard. However, the effect of the reverse stock split upon the market price of our common stock cannot be predicted with any certainty, and the history of similar reverse stock splits for companies in like circumstances is varied. The price per share of our common stock after the reverse stock split may not reflect the exchange ratio implemented by the Board of Directors and the price per share following the effective time of the reverse stock split may not be maintained for any period of time following the reverse stock split. Accordingly, the total market capitalization of our common stock following a reverse stock split may be lower than before the reverse stock split.

Under applicable Nasdaq rules, to regain compliance with the \$1.00 minimum closing bid price requirement and maintain our listing on the Nasdaq Capital Market, the \$1.00 closing bid price must be maintained for a minimum of ten (10) consecutive business days. Accordingly, we cannot assure you that we will be able to maintain our Nasdaq listing after a reverse stock split is effected or that the market price per share after a reverse stock split will exceed or remain in excess of the \$1.00 minimum bid price for a sustained period of time.

It is possible that the per share price of our common stock after a reverse stock split will not rise in proportion to the reduction in the number of shares of our common stock outstanding resulting from the reverse stock split, and the market price per post-reverse stock split share may not exceed or remain in excess of the \$1.00 minimum bid price for a sustained period of time, and the reverse stock split may not result in a per share price that would attract brokers and investors who do not trade in lower priced stocks. Even if we effect the reverse stock split, the market price of our common stock may decrease due to factors unrelated to the stock split. In any case, the market price of our common stock may also be based on other factors which may be unrelated to the number of shares outstanding, including our future performance. If the reverse stock split is consummated and the trading price of the common stock declines, the percentage decline as an absolute number and as a percentage of our overall market capitalization may be greater than would occur in the absence of the reverse stock split. Even if the market price per post-reverse stock split share of our common stock remains in excess of \$1.00 per share, we may be delisted due to a failure to meet other continued listing requirements, including Nasdaq requirements related to the minimum stockholders' equity, the minimum number of shares that must be in the public float, the minimum market value of the public float and the minimum number of round lot holders.

A reverse stock split may decrease the liquidity of our common stock.

The liquidity of our common stock may be harmed by a reverse stock split given the reduced number of shares of common stock that would be outstanding after a reverse stock split, particularly if the stock price does not increase as a result of the reverse stock split. In addition, investors might consider the increased proportion of unissued authorized shares of common stock to issued shares to have an anti-takeover effect under certain circumstances, because the proportion allows for dilutive issuances which could prevent certain stockholders from changing the composition of the Board of Directors or render tender offers for a combination with another entity more difficult to successfully complete. The Board of Directors does not intend for a reverse stock split to have any anti-takeover effects.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

There have been no sales of unregistered securities during the 13 weeks ended September 30, 2023 and from the period from October 1, 2023 to the filing date of this Report, which have not previously been reported in a Current Report on Form 8-K.

Use of Proceeds from Initial Public Offering

On November 15, 2021, we completed our IPO, in which we sold 2,117,647 shares of common stock at a price to the public of \$8.50 per share. All the shares issued and sold in our IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-260101) filed by the Company with the SEC under the Securities Act on October 6, 2021, as amended and the Company's registration statement on Form S-1MEF (File No. 333-260986) filed by the Company with the SEC under the Securities Act on November 10, 2021, each of which became effective on November 10, 2021. We received aggregate net proceeds of approximately \$16.1 million, after deducting underwriting discounts and commissions, and offering costs. There has been no material change in the planned use of proceeds from the IPO from that described in the Final Prospectus.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information.

(a)

The disclosures regarding the Company's plans to initiate a formal review process to evaluate strategic alternatives for the Company, as disclosed above under "Part I – Financial Statements — Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Need for Future Funding; Review of Strategic Alternatives", is incorporated into this *Item 5. Other Information* by reference.

Additionally, the below event occurred within four business days of the filing date of this periodic report and as such, the Company is disclosing the occurrence of the event under this *Item 5. Other Information*, instead of in a stand-alone Current Report on Form 8-K:

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) **Clawback Policy.** On November 9, 2023, the Board of Directors of the Company approved the adoption of a Policy for the Recovery of Erroneously Awarded Incentive Based Compensation (the "Clawback Policy"), with an effective date of October 2, 2023, in order to comply with the final clawback rules adopted by the Securities and Exchange Commission under Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended ("Rule 10D-1"), and the listing standards, as set forth in the Nasdaq Listing Rule 5608 (the " Final Clawback Rules").

The Clawback Policy provides for the mandatory recovery of erroneously awarded incentive-based compensation from current and former executive officers as defined in Rule 10D-1 ("Covered Officers") of the Company in the event that the Company is required to prepare an accounting restatement, in accordance with the Final Clawback Rules. The recovery of such compensation applies regardless of whether a Covered Officer engaged in misconduct or otherwise caused or contributed to the requirement of an accounting restatement. Under the Clawback Policy, the Board of Directors may recoup from the Covered Officers erroneously awarded incentive compensation received within a lookback period of the three completed fiscal years preceding the date on which the Company is required to prepare an accounting restatement.

The foregoing summary of the Clawback Policy does not purport to be complete and is qualified in its entirety by reference to the full text of the Clawback Policy, a copy of which is attached hereto as Exhibit 10.3, to this Current Report on Form 8-K and incorporated herein by reference.

Item 6. Exhibits

The following exhibits are filed herewith or incorporated by reference herein:

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Date	Exhibit	
10.1+	Separation and Release Agreement, dated July 7, 2023, by and between Kidpik Corp. and Adir Katzav	8-K	001-41032	7/7/2023	10.1	
10.2	Debt Conversion Agreement dated September 18, 2023, by and between Kidpik Corp. and Ezra Dabah	8-K	001-41032	9/18/2023	10.1	

10.3*+	Kidpik Corp. Policy for the Recovery of Erroneously Awarded Incentive-Based Compensation	X
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a)	X
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a)	X
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350	X
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350	X
101.INS	Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set	X

* Filed herewith.

**The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, are not deemed "filed" by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

+ Indicates management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Kidpik Corp.

Date: November 14, 2023

By: /s/ Ezra Dabah

Ezra Dabah
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2023

By: /s/ Jill Pasechnick

Jill Pasechnick
Chief Accounting Officer
(Principal Financial and Accounting Officer)

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KIDPIK CORP.
POLICY FOR THE RECOVERY OF
ERRONEOUSLY AWARDED INCENTIVE-BASED COMPENSATION

Approved by the Board of Directors on November 9, 2023

The Board of Directors (the “Board”) of **Kidpik Corp.** (the “Company”) believes that it is in the best interests of the Company and its stockholders to adopt this Policy for the Recovery of Erroneously Awarded Incentive-Based Compensation (the “Policy”), which provides for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below).

This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rule 10D-1 promulgated under the Exchange Act (“Rule 10D-1”) and Nasdaq Listing Rule 5608 (the “Listing Standards”).

1. Administration

Except as specifically set forth herein, this Policy shall be administered by the Compensation Committee of the Board (if composed entirely of independent directors) or if so designated by the Board, a separate committee of the Board, consisting solely of independent directors, or in the absence of such a committee, a majority of the independent directors serving on the board (as applicable, the “Administrator”). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board or such other committees of the Board, such as the Audit Committee or the Compensation Committee, as may be necessary or appropriate as to matters within the scope of such other committee’s responsibility and authority.

Subject to any limitation under applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

2. Definitions

As used in this Policy, the following definitions shall apply:

- “Accounting Restatement” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).
- “Administrator” has the meaning set forth in Section 1 hereof.

- “Applicable Period” means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The “date on which the Company is required to prepare an Accounting Restatement” is the earlier to occur of (a) the date the Board (or the Compensation Committee, if authorized by the Board) concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.
- “Covered Executives” means the Company’s current and former Executive Officers, as determined by the Administrator. For the avoidance of doubt, a Covered Executive may include a former Executive Officer that left the Company, retired, or transitioned to an employee role (including after serving as an Executive Officer in an interim capacity) during the Applicable Period.
- “Erroneously Awarded Compensation” has the meaning set forth in Section 5 of this Policy.
- “Executive Officer” means an executive officer as defined in Rule 10D-1(d) and the Listing Standards including, but not limited to, the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policymaking functions for the Company; and executive officers identified pursuant to Regulation S-K Item 401(b). For the purposes of such definition, Executive Officers of the Company’s parent(s) or subsidiaries are deemed Executive Officers of the Company if they perform such policy making functions for the Company.
- A “Financial Reporting Measure” is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total stockholder return (“TSR”); revenues; net income; operating income; profitability of one or more reportable segments; financial ratios (e.g., accounts receivable turnover and inventory turnover rates); earnings before interest, taxes, depreciation and amortization (“EBITDA”); funds from operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., earnings per share); any of such financial reporting measures relative to a peer group, where the Company’s financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the Securities Exchange Commission.

- “**Incentive-Based Compensation**” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is “received” for purposes of this Policy in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

3. Covered Executives; Incentive-Based Compensation

This Policy applies to Incentive-Based Compensation received by a Covered Executive **(a)** after beginning services as a Covered Executive; **(b)** if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation (whether or not such Covered Executive is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company); and **(c)** while the Company had a listed class of securities on a national securities exchange.

4. Required Recoupment of Erroneously Awarded Compensation in the Event of an Accounting Restatement

In the event the Company is required to prepare an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, during the Applicable Period.

5. Erroneously Awarded Compensation: Amount Subject to Recovery

The amount of “**Erroneously Awarded Compensation**” subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation (calculated on a pre-tax basis and without regard to any taxes paid) received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had it been determined based on the restated amounts. For the avoidance of doubt Erroneously Awarded Compensation does not include any Incentive-Based Compensation received by a person **(i)** before such person began service in a position or capacity meeting the definition of an Executive Officer, **(ii)** who did not serve as an Executive Officer at any time during the performance period for that Incentive-Based Compensation, or **(iii)** during any period the Company did not have a class of its securities listed on a national securities exchange or a national securities association.

Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation.

By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

For Incentive-Based Compensation based on stock price or TSR: **(a)** the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and **(b)** the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market (“Nasdaq”).

Policy for the Recovery of Erroneously Awarded Kidpik Corp. Incentive-Based Compensation

Kidpik Corp.
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6. Method of Recoupment

The Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation **(a)** seeking reimbursement of all or part of any cash or equity-based award, **(b)** cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, **(c)** cancelling or offsetting against any planned future cash or equity-based awards, **(d)** forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder and **(e)** any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

The applicable Covered Executive shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding paragraph.

The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Administrator has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

To the extent that the Covered Executive has already reimbursed the Company for any Erroneously Awarded Compensation under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

Policy for the Recovery of Erroneously Awarded Kidpik Corp. Incentive-Based Compensation

Kidpik Corp.
Page 4 of 7

7. No Indemnification of Covered Executives; No Reimbursement; No Agreements Exempting or Waiving Recovery

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential clawback obligations under this Policy.

Further, the Company shall not enter into any agreement that exempts any Incentive-Based Compensation that is granted, paid or awarded to a Covered Executive from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

8. Administrator Indemnification

Any members of the Administrator, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

9. Effective Date; Retroactive Application

This Policy shall be effective as of October 2, 2023 (the "Effective Date"). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date. Without limiting the generality of Section 6 hereof, and subject to applicable law, the Administrator may affect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

This Policy will survive and continue notwithstanding any termination of a Covered Executive's employment with the Company and its affiliates.

10. Amendment; Termination

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed. Notwithstanding anything in this Section 10 to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

11. Severability

If any provision of this Policy is or becomes or is deemed to be invalid or unenforceable in any jurisdiction or as to any Covered Executive, such provision shall be construed or deemed amended to the conform with applicable law.

This Policy shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to any conflicts of law principles thereof that would require the application of the laws of another jurisdiction.

Policy for the Recovery of Erroneously Awarded Kidpik Corp. Incentive-Based Compensation

Kidpik Corp.
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12. Other Recoupment Rights; Company Claims

The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with a Covered Executive shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Covered Executive to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

13. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

14. Acknowledgement by Covered Executives; Condition to Eligibility for Incentive-Based Compensation

The Company will provide notice and seek acknowledgement of this Policy from each Covered Executive (in the form attached hereto), provided that the failure to provide such notice or obtain such acknowledgement will have no impact on the applicability or enforceability of this Policy.

After the Effective Date, the Company must be in receipt of a Covered Executive's acknowledgement as a condition to such Covered Executive's eligibility to receive Incentive-Based Compensation.

All Incentive-Based Compensation subject to this Policy will not be earned, even if already paid, until the Policy ceases to apply to such Incentive-Based Compensation and any other vesting conditions applicable to such Incentive-Based Compensation are satisfied.

15. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.

16. Required Public Disclosures

The Company shall disclose the adoption and terms of this Policy in accordance with Item 402(w) of Regulation S-K in its Annual Report on Form 10-K and/or proxy statements.

Additionally, when an Accounting Restatement occurs, which resulted in Erroneously Awarded Compensation being awarded to Covered Executives, the Company shall, consistent with, and to the extent required by, Item 402(w) to Regulation S-K disclose in its next Annual Report on Form 10-K and/or proxy statement, actions taken to recover such Erroneously Awarded Compensation.

Similarly, if an Accounting Restatement occurs, and the Company concludes that recovery of Erroneously Awarded Compensation is not required pursuant to the terms of this Policy, the Company shall briefly explain why application of the Policy resulted in this conclusion in accordance with, and to the extent required by, Item 402(w) of Regulation S-K.

17. Prompt Notice

The Company's Chief Financial Officer (or the person performing a similar role if the Company does not then have a Chief Financial Officer), shall promptly notify the Administrator in writing upon becoming aware of any required Accounting Restatement.

[TO BE SIGNED BY THE COMPANY'S EXECUTIVE OFFICERS:]

Policy for the Recovery of Erroneously Awarded Incentive-Based Compensation Acknowledgment

I, the undersigned, agree and acknowledge that I am fully bound by, and subject to, all of the terms and conditions of Kidpik Corp.'s Policy for the Recovery of Erroneously Awarded Incentive-Based Compensation (as may be amended, restated, supplemented or otherwise modified from time to time, the "Policy").

In the event of any inconsistency between the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern. In the event it is determined by the Administrator that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. Any capitalized terms used in this Acknowledgment without definition shall have the meaning set forth in the Policy.

By: _____

[Name]

[Title]

Date

CERTIFICATION

I, Ezra Dabah, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kidpik Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: /s/ Ezra Dabah

Ezra Dabah
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Jill Pasechnick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kidpik Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023

By: /s/ Jill Pasechnick
 Jill Pasechnick
 Chief Accounting Officer
 (Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Kidpik Corp. (the "Company") for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ezra Dabah, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

/s/ Ezra Dabah

Ezra Dabah
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2023

The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Kidpik Corp. (the "Company") for the period ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jill Pasechnick, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

/s/ Jill Pasechnick

Jill Pasechnick
Chief Accounting Officer
(Principal Financial and Accounting Officer)

Date: November 14, 2023

The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
