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 28, 2024

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	**81-3640708**
(State or other jurisdiction of incorporation or organization)	(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 ☐
Non-accelerated Filer ☒

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 14, 2024: 1,951,638.

TABLE OF CONTENTS

		Page
Cautionary Statement Regarding Forward-Looking Information		1
Summary Risk Factors		2
PART I	FINANCIAL INFORMATION	
Item 1.	FINANCIAL STATEMENTS	F-1
	Condensed Interim Balance Sheets as of September 28, 2024 and December 30, 2023	F-1
	Condensed Interim Statements of Operations for the 13 weeks and 39 weeks ended September 28, 2024 and September 30, 2023	F-2
	Condensed Interim Statements of Changes in Stockholders' (Deficit) Equity for the 13 weeks and 39 weeks ended September 28, 2024 and September 30, 2023	F-3
	Condensed Interim Statements of Cash Flows for the 39 weeks ended September 28, 2024 and September 30, 2023	F-4
	Notes to Condensed Interim Financial Statements	F-5
Item 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	4
Item 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	22
Item 4.	CONTROLS AND PROCEDURES	22
PART II	OTHER INFORMATION	23
Item 1.	LEGAL PROCEEDINGS	23
Item 1A.	RISK FACTORS	23
Item 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	31
Item 3.	DEFAULTS UPON SENIOR SECURITIES	31
Item 4.	MINE SAFETY DISCLOSURES	31
Item 5.	OTHER INFORMATION	31
Item 6.	EXHIBITS	32
SIGNATURES		33

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 Company's ability to complete the pending acquisition of Nina Footwear Corp. and disruptions caused by such acquisition and other risks associated therewith;
- the continuing effect of changing 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;
- 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 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 as 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 30, 2023, which was filed with the Securities and Exchange Commission on April 10, 2024 (the "2023 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 maintain current members and customers and grow customers;

- Risks associated with our third-party service providers, 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 and other risks associated with the fact that we are not currently manufacturing any new products;

- Risks of changes in consumer spending due to changes in interest rates, increased inflation, declines in economic activity or recessions;

- Risks that affect 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;

- Our ability to compete against competitors which may have greater resources;

- 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 loan and funding covenants, conditions to obtaining additional funding under securities purchase agreements, dilution caused by the conversion of convertible notes, our ability to pay amounts due under convertible notes and comply with covenants associated therewith;

- 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;

- Dilution which will occur upon the closing of the Merger (defined below); costs, fees and expenses, and the timing associated with, the Merger Agreement; the Company's ability to meet conditions to closing the Merger Agreement; the ability of the parties to the Merger Agreement (defined below) to terminate such agreement, and potential break-fees due in connection therewith; uncertainties while the Merger Agreement is pending; and risks related to the ability of the combined company to recognize the benefits of the Merger;

- 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, 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, including our current non-compliance with Nasdaq's continued listing rules, and the fact that Nasdaq has determined to delist our common stock, which determination we have appealed to a hearings panel.

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.

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

Kidpik Corp.
Condensed Interim Balance Sheets

	September 28, 2024 (Unaudited)	December 30, 2023 (Audited)
Assets		
Current assets		
Cash	$ 3,205	$ 194,515
Restricted cash	4,618	4,618
Accounts receivable	80,012	211,739
Inventory	3,472,216	4,854,641
Prepaid expenses and other current assets	605,023	761,969
Total current assets	4,165,074	6,027,482
Leasehold improvements and equipment, net	60,963	97,136
Operating lease right-of-use assets	1,458,336	992,396
Total assets	$ 5,684,373	$ 7,117,014
Liabilities and Stockholders' (Deficit) Equity		
Current liabilities		
Accounts payable	$ 1,737,249	$ 1,862,266
Accounts payable, related party	2,236,315	1,868,411
Accrued expenses and other current liabilities	273,490	438,034
Operating lease liabilities, current	420,331	281,225
Short-term debt	757,528	-
Related party loans	1,584,153	850,000
Total current liabilities	7,009,066	5,299,936
Operating lease liabilities, net of current portion	1,143,189	780,244
Total liabilities	8,152,255	6,080,180
Commitments and contingencies		
Stockholders' (deficit) equity		
Preferred stock, par value $0.001, 25,000,000 shares authorized, of which no shares are issued and outstanding as of September 28, 2024 and December 30, 2023, respectively	-	-
Common stock, par value $0.001, 75,000,000 shares authorized, of which 1,951,638 shares are issued and outstanding as of September 28, 2024, and 1,872,433 shares are issued and outstanding as of December 30, 2023	1,952	1,872
Additional paid-in capital	52,929,198	52,475,189
Accumulated deficit	(55,399,032)	(51,440,227)
Total stockholders' (deficit) equity	(2,467,882)	1,036,834
Total liabilities and stockholders' (deficit) equity	$ 5,684,373	$ 7,117,014

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

Kidpik Corp.
Condensed Interim Statements of Operations
(Unaudited)

	For the 13 weeks ended		For the 39 weeks ended	
	September 28, 2024	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Revenues, net	$ 1,042,648	$ 3,389,183	$ 4,410,276	$ 10,867,580
Cost of goods sold	327,306	1,317,684	1,382,424	4,309,473
Gross profit	715,342	2,071,499	3,027,852	6,558,107
Operating expenses				
Shipping and handling	450,638	1,032,678	1,843,711	3,171,634
Payroll and related costs	353,994	991,044	1,765,019	3,196,280
General and administrative	719,107	1,939,108	3,233,922	5,988,543
Depreciation and amortization	11,532	12,503	36,173	35,616
Total operating expenses	1,535,271	3,975,333	6,878,825	12,392,073
Operating loss	(819,929)	(1,903,834)	(3,850,973)	(5,833,966)
Other expenses				
Interest expense	26,163	22,117	65,980	71,722
Other expense	41,852	-	41,852	-
Total other expenses	68,015	22,117	107,832	71,722
Net loss	$ (887,944)	$ (1,925,951)	$ (3,958,805)	$ (5,905,688)
Net loss per share attributable to common stockholders:				
Basic	(0.45)	(1.20)	(2.05)	(3.78)
Diluted	(0.45)	(1.20)	(2.05)	(3.78)
Weighted average common shares outstanding:				
Basic	1,951,638	1,604,454	1,931,357	1,562,777
Diluted	1,951,638	1,604,454	1,931,357	1,562,777

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

Kidpik Corp.
Condensed Interim Statements of Changes in Stockholders' Equity (Deficit)
For the 13 and 39 Weeks Ended September 28, 2024 and September 30, 2023
(Unaudited)

	Common Stock		Preferred Stock		Additional paid-in	Accumulated	
	Shares	Amount	Shares	Amount	capital	deficit	Total
Balance, December 31, 2022	1,537,639	$ 1,538	-	$ -	$50,282,661	$ (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	1,537,639	$ 1,538	-	$ -	$50,550,137	$ (43,484,957)	$ 7,066,718
Issuance of common stock	16,305	16	-	-	(16)	-	-
Equity-based compensation	-	-	-	-	290,953	-	290,953
Net loss	-	-	-	-	-	(2,029,225)	(2,029,225)
Balance, July 1, 2023	1,553,944	$ 1,554	-	$ -	$50,841,074	$ (45,514,182)	$ 5,328,446
Issuance of common stock – vesting of restricted shares	7,729	8	-	-	(8)	-	-
Issuance of common stock – debt conversion	310,760	310	-	-	1,199,690	-	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	1,872,433	$ 1,872	-	$ -	$52,314,852	$ (47,440,133)	$ 4,876,591
Balance, December 30, 2023	1,872,433	$ 1,872	-	$ -	$52,475,189	$ (51,440,227)	$ 1,036,834
Issuance of common stock	79,205	80			(80)	-	-
Equity-based compensation	-	-	-	-	333,854	-	333,854
Net loss	-	-	-	-	-	(1,769,411)	(1,769,411)
Balance, March 30, 2024	1,951,638	$ 1,952	-	-	$52,808,963	$ (53,209,638)	$ (398,723)
Equity-based compensation	-	-	-	-	120,235	-	120,235
Net loss	-	-	-	-	-	(1,301,450)	(1,301,450)
Balance, June 29, 2024	1,951,638	$ 1,952	-	$ -	$52,929,198	$ (54,511,088)	$(1,579,938)
Net loss	-	-	-	-	-	(887,944)	(887,944)
Balance, September 28, 2024	1,951,638	$ 1,952	-	$ -	$52,929,198	$ (55,399,032)	$(2,467,882)

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

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

	39 Weeks Ended	
	September 28, 2024	**September 30, 2023**
Cash flows from operating activities		
Net loss	$ (3,958,805)	$ (5,905,688)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	36,173	35,616
Amortization on convertible debt	23,667	-
Gain on Derivative	41,852	-
Equity-based compensation	454,089	838,972
Allowance for credit losses	48,704	236,200
Changes in operating assets and liabilities:		
Accounts receivable	83,023	(47,231)
Inventory	1,382,425	3,871,319
Prepaid expenses and other current assets	156,946	322,084
Operating lease right-of-use assets and liabilities	36,111	29,515
Accounts payable	(125,018)	(222,532)
Accounts payable, related parties	367,904	602,044
Accrued expenses and other current liabilities	(164,544)	(221,461)
Net cash used in operating activities	(1,617,473)	(461,162)
Cash flows from investing activities		
Purchases of leasehold improvements and equipment	-	(77,299)
Net cash used in investing activities	-	(77,299)
Cash flows from financing activities		
Cash used to settle equity awards	-	(6,447)
Net proceeds from short-term debt	242,009	-
Net proceeds from convertible debt	450,000	-
Net proceeds from related party loan	734,154	-
Net cash provided by financing activities	1,426,163	(6,447)
Net decrease in cash and restricted cash	(191,310)	(544,908)
Cash and restricted cash, beginning of period	199,133	605,213
Cash and restricted cash, end of period	$ 7,823	$ 60,305
Reconciliation of cash and restricted cash:		
Cash	$ 3,205	$ 55,687
Restricted cash	4,618	4,618
	$ 7,823	$ 60,305
Supplemental disclosure of cash flow data:		
Interest paid	$ 24,065	$ 2,315
Supplemental disclosure of non-cash investing and financing activities:		
Conversion of shareholder loan to equity	$ -	$ 1,200,000
Record right-of-use asset and operating lease liabilities	$ 768,756	$ -

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

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.

On March 29, 2024, Kidpik and Nina Footwear Corp. ("Nina Footwear"), a private company operating a brand specializing in women's special occasion shoes, bridal shoes, bags and kids shoes, entered into a definitive merger agreement. Mr. Ezra Dabah, the Company's Chief Executive Officer and Chairman and his children (including Moshe Dabah, the Company's Vice President, Chief Operating Officer and Chief Technology Officer, and Secretary) own approximately 79.3% of Nina Footwear, and Mr. Dabah and his extended family own 100% of Nina Footwear. The Board of Directors of both companies have approved the all-stock transaction. The combined company will operate as Nina Holdings Corp., with the transactions anticipated to close during the first quarter of 2025. As a result of the transaction, the stockholders of Nina Footwear will receive 80% of the outstanding stock of the combined company.

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 2023 Annual Report on Form 10-K, filed with the SEC on April 10, 2024 (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 28, 2024, and September 30, 2023, consist of 13 weeks. These quarters are referred to herein as the third quarter of "2024" and "2023", 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.

Accounting standards adopted: 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.

Accounting standards issued but not yet adopted: In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure*, to require a public entity to disclose significant segment expenses and other segment items on an annual and interim basis and to provide interim periods all disclosures about a reportable segment's profit or loss and assets that are currently required annually. Public entities with a single reportable segment are required to provide the new disclosures and all the disclosures required under ASC 280. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on our condensed consolidated financial statements and expects that adoption of ASU 2023-07 will lead to additional segment disclosures in our annual financial statements for fiscal 2024 and subsequent annual and interim periods.

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. All 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: 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 reflect 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.

Revenue from online website sales, which includes sales from our and third-party websites (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 the 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 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.

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. The Company recorded a reserve in the fourth quarter of 2023 of approximately $2.9 million. As of September 28, 2024, the inventory balance was $6,034,094 and the reserve balance was ($2,561,878).

Leasehold improvements and equipment, net: 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. Expenditures 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 did not identify any impairments.

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 as of September 28, 2024, and December 30, 2023. 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.

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 12, *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 AND GOING CONCERN

The Company has sustained losses from operations since inception, negative operating cash flows and has an accumulated deficit of $55,399,032 as of September 28, 2024. 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, the Company must have sufficient capital to continue to make investments and fund operations.

On May 31, 2024, the Company entered into a Securities Purchase Agreement (the "SPA") with EF Hutton YA Fund, LP (the "Investor"). Pursuant to the SPA, the Company agreed to sell the Investor three tranches of convertible debentures, in an aggregate principal amount of $2,000,000 (the "Convertible Debentures").

On May 31, 2024, the first tranche of Convertible Debentures with a face amount of $500,000 (the "Initial Debenture") was sold to the Investor. The Company also agreed to sell an additional $500,000 in Convertible Debentures (the "Second Closing" and the "Second Convertible Debenture") upon the filing of a Definitive Proxy Statement with the Securities and Exchange Commission (the "SEC" or the "Commission") to seek stockholder approval for, among other things, the pending merger with Nina Footwear Corp. (the "Definitive Proxy Statement"), and $1,000,000 (the "Third Closing" and the "Third Convertible Debenture") in Convertible Debentures on or about the date a registration statement to register the shares of common stock issuable upon conversion of the Convertible Debentures becomes effective (the "Initial Registration Statement") and the approval of the Company's stockholders is received for the issuance of shares of common stock upon the conversion of the Convertible Debentures as required by the applicable rules of the Nasdaq Capital Market.

The Company agreed to sell all Convertible Debentures with a 10% original issue discount and, as a result thereof, it received $450,000 in gross proceeds, prior to expenses, upon the sale of the Initial Debenture. The Second and Third Closings are subject to certain closing conditions, including those discussed above, as described in greater detail in the SPA. See also *Note 9: Short-term debt*.

As discussed in Note 9, the Company was not able to meet the filing deadline for the Initial Registration Statement. As a result, an event of default has occurred under the Convertible Debenture; however, the Investor has not yet provided us notice of the acceleration of amounts due thereunder. At any time, until we cure such default, the Investor can provide us notice that the full unpaid principal amount of the outstanding Convertible Debenture, together with interest and other amounts owing in respect thereof, is immediately due and payable in cash. We do not currently have sufficient cash on hand to pay amounts due under the Convertible Debenture and is such amount was immediately due and payable we would need to raise additional funding through the sale of debt or equity, which funding may not be available on favorable terms, if at all, and/or sell assets, and may be forced to seek bankruptcy protection, which could cause the securities of the Company to become worthless.

The Company's ability to continue its operations is dependent upon obtaining new financing for its ongoing operations. To manage operating cash flows in the near term, the Company has ceased purchasing new inventory and if available, may enter into cash advance or other financing arrangements. Future financing options available to the Company include funding expected to be provided by the SPA, 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, and borrowings from related parties, including Ezra Dabah, the Company's Chief Executive Officer, and Nina Footwear. Equity financing 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.

The Company also believes that the Merger, assuming it is successfully closed, will strengthen the Company's balance sheet and provide additional cash from operations to support the combined company's operations moving forward.

NOTE 4: FAIR VALUE MEASUREMENTS

The Company measures certain financial assets and liabilities at fair value. Fair value is determined based on the exit price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company's financial assets and liabilities subject to fair value measurements on a recurring basis are as follows:

	Fair Value as of September 28, 2024		
Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**
Liabilities:			
Derivative liability	$ -	$ -	$ 62,852
Total liability in fair value hierarchy	$ -	$ -	$ 62,852

Level 3 financial liabilities consist of the derivative liability for which there is no current market for the securities such that the determination of fair value requires judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

The Company's derivative liability represents embedded share-settled redemption features bifurcated from the underlying convertible note and is carried at fair value. The changes in fair value of the derivative liability are recorded as change in other expense/(income) in the condensed consolidated statement of operations.

The fair value of the share-settled redemption derivative liability was based on management's estimate of the expected future cash flows required to settle the liabilities.

NOTE 5: INVENTORY

Inventory consists of the following:

	September 28, 2024 (unaudited)	December 30, 2023
Finished goods	$ 6,034,094	$ 8,046,501
Inventory reserve	(2,561,878)	(3,191,860)
Total	$ 3,472,216	$ 4,854,641

NOTE 6: LEASEHOLD IMPROVEMENTS AND EQUIPMENT, NET

Leasehold improvements and equipment consist of the following:

	September 28, 2024 (unaudited)	December 30, 2023
Computer equipment	$ 120,459	$ 120,459
Furniture and fixtures	185,290	185,290
Leasehold improvements	139,121	139,121
Machinery and equipment	32,666	32,666
Total cost	477,536	477,536
Accumulated depreciation	(416,573)	(380,400)
Leasehold improvements and equipment, net	$ 60,963	$ 97,136

Depreciation expense amounted to $11,532 and $12,503 for the 13 weeks ended September 28, 2024, and September 30, 2023, respectively.

Depreciation expense amounted to $36,173 and $35,616 for the 39 weeks ended September 28, 2024, and September 30, 2023, respectively.

NOTE 7: LEASES

The Company entered into a sub-lease agreement for warehouse space from a related party, Nina Footwear, on April 1, 2021. The Company pays 33.3% of the related party's fixed monthly rent. The lease expired on September 30, 2023, but was 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 March 30, 2024, the Company terminated the month-to-month agreement.

The Company entered into a new sub-lease agreement for warehouse space from related party, Nina Footwear, on March 26, 2024. The Company pays 26% of the related party's fixed monthly rent, along with contingent rental expenses. The lease is set to expire on February 1, 2029, with an average monthly rent of $18,534.

On June 27, 2022, the Company together with Nina Footwear, entered into a new agreement to extend the lease agreement with Nina Footwear for the office space. The Company pays 50% of the total monthly rent, including contingent rental expenses. The lease is set to expire on April 30, 2027, with an average monthly rent of $29,259.

The discount rate used in the calculation of the lease liability ranged from 7% - 14%, which is based on our estimate of the rate of interest that we could have to pay to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment as the lease does not provide an implicit rate.

As of September 28, 2024, the remaining lease term on the corporate lease was 2.6 years and incremental borrowing rate was 7.00%.

As of September 28, 2024, the remaining lease term on the warehouse lease was 4.3 years and the incremental borrowing rate was 13.6%.

The table below includes the balances of operating lease right-of-use assets and operating lease liabilities as of September 28, 2024:

	September 28, 2024
Assets	
Operating lease right-of-use assets, net	$ 1,458,336
Liabilities	
Operating lease liabilities – current	$ 420,331
Operating lease liabilities – non-current	1,143,189
Total Lease Liabilities	$ 1,563,520

The maturities of our operating lease liabilities as of September 28, 2024, are as follows:

Maturity of Operating Lease Liabilities	
2024	$ 137,613
2025	564,798
2026	583,819
2027	348,454
2028	233,634
2029	19,532
Total lease payments	1,887,850
Less: imputed interest	(324,330)
Present value of lease liabilities	$ 1,563,520

NOTE 8: RELATED PARTY TRANSACTIONS

In the normal course of business, the Company incurred chargebacks to Nina Footwear, that exceeded the expenses charged to Kipdik by Nina Footwear that included management fees and other shared operating expenses. These chargebacks amounted to ($34,238) and ($38,166) for the 13 weeks ended September 28, 2024, and September 30, 2023, respectively.

The Company incurred chargebacks to Nina Footwear, as noted above, which amounted to ($124,545) and ($28,719) for the 39 weeks ended September 28, 2024, and September 30, 2023, respectively.

Nina Footwear provides 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.

Management fees amounted to $7,608 and $22,671 for the 13 weeks ended September 28, 2024, and September 30, 2023, respectively, and are included in general and administrative expenses in the condensed interim statements of operations.

Management fees amounted to $32,374 and $75,323 for the 39 weeks ended September 28, 2024, and September 30, 2023, 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 $0 and $19,754 for the 13 weeks ended September 28, 2024, and September 30, 2023, respectively. The consulting fees for this service amounted to $5,770 and $57,505 for the 39 weeks ended September 28, 2024, and September 30, 2023, 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 sub-lease agreement for warehouse space from a related party, Nina Footwear, on April 1, 2021. The Company paid 33.3% of the related party's fixed monthly rent. The lease was to expire on September 30, 2023, but was extended until January 31, 2024, on a month-to-month basis, with the Company terminating the lease on March 30, 2024.

The Company entered into a new sub-lease agreement for warehouse space from related party, Nina Footwear, on March 26, 2024. The Company pays 26% of the related party's fixed monthly rent, along with contingent rental expenses. The lease is set to expire on February 1, 2029.

For the 13 weeks ended September 28, 2024, and September 30, 2023, related party office rent amounted to $87,524 and $84,975, respectively, and is included in general and administrative expenses in the condensed interim statements of operations.

For the 39 weeks ended September 28, 2024, and September 30, 2023, related party office rent amounted to $259,174 and $251,625, respectively, and is included in general and administrative expenses in the condensed interim statements of operations.

As of September 28, 2024, and December 30, 2023, there was $2,236,315 and $1,868,411 due to related party, respectively.

See Note 9 below for a description of short-term debt from affiliated entities under common control and from stockholders.

NOTE 9: 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.

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 note, into an aggregate of 310,760 shares of restricted common stock of the Company. The conversion price was equal to $3.8615 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 paid in full and complete satisfaction of the amounts owed under the converted notes.

During March 2024, Mr. Dabah loaned the Company $85,000, of which $35,000 was repaid in April 2024. The amount loaned was not evidenced by a promissory note, does not accrue interest and is payable on demand.

On February 7, 2024, the Company entered into a cash advance agreement with a financial institution and was advanced cash totaling $240,000 to be used for operating expenses. In accordance with the agreement, the issuance was made at a discount and the Company agreed to repay $271,200 plus interest, in daily payments equalling 17% of funds from transactions associated with the Company's Shopify Services account. The loan has an 18-month term from the effective date and bears an interest rate of 15.61% per annum.

On April 18, 2024, the Company entered into a $346,000 Promissory Note (the "Nina Footwear Note"), with Nina Footwear, with whom the Company is party to a March 29, 2024, Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), with Nina Footwear and Kidpik Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub"), as previously disclosed. Upon the terms and subject to the satisfaction of the conditions described in the Merger Agreement, Merger Sub will be merged with and into Nina Footwear, with Nina Footwear surviving as a wholly owned subsidiary of the Company (the "Merger"). The closing of the Merger is subject to customary closing conditions, including the preparation and mailing of a proxy statement by the Company, and the receipt of required stockholder approvals from the Company and Nina Footwear stockholders, and is expected to close in the first quarter of 2025.

The Nina Footwear Note in the principal amount of $346,000 does not accrue interest but does accrue interest of 5% per annum upon the occurrence of an event of default; with weekly payments of principal and interest in the amount of $14,605, due each week beginning with the week ended April 26, 2024, until the earlier of the maturity date of such note, the payment in full thereof, or the closing of the Merger, where the Nina Footwear Note is expected to be forgiven by Nina Footwear. The Nina Footwear Note is due upon the earlier of October 31, 2024, and upon acceleration by Nina Footwear pursuant to the terms thereof. As of September 28, 2024, Kidpik has repaid $87,631 of the note, which is a total of 6 payments.

The Nina Footwear Note includes customary events of default and allows Nina Footwear the right to accelerate the amount due under the note upon the occurrence of such event of default, subject to certain cure rights. The Company is in default and anticipates working with Nina Footwear to extend the due date of the note through the closing date of the Merger following the date of this filing.

During May thru September 2024, Nina Footwear loaned the Company $403,000. The loan was not evidenced by a promissory note, does not accrue interest and is payable on demand.

On May 9, 2024, the Company entered into a loan agreement with a financial institution and was advanced cash totaling $180,737 to be used for operating expenses. In accordance with the agreement, the Company agreed to repay $180,737, plus interest, in monthly payments of $17,263. The loan has a 12-month term from the effective date, and bears an interest rate of 9.99% per annum. As of September 28, 2024, Kidpik has made all contractual payments of $86,314, which includes a down payment on the loan which is $17,263.

On May 31, 2024, the Company entered into the SPA with the Investor. Pursuant to the SPA, we agreed to sell the Investor three tranches of convertible debentures, in an aggregate principal amount of $2,000,000. On May 31, 2024, the first tranche of Convertible Debentures with a face amount of $500,000 was sold to the Investor. We also agreed to sell an additional $500,000 in Convertible Debentures upon the filing of a Definitive Proxy Statement with the SEC to seek stockholder approval for, among other things, the Merger, and $1,000,000 in Convertible Debentures on or about the date the Initial Registration Statement becomes effective and the approval of its stockholders, as required by the applicable rules of the Nasdaq Capital Market for issuances of shares in excess of the Exchange Cap (as defined below), has been obtained (the date of such stockholder approval, the "Shareholder Approval").

The Company agreed to sell all Convertible Debentures with a 10% original issue discount and, as a result thereof, we received $450,000 in gross proceeds, prior to expenses, upon the sale of the Initial Debenture. The Second and Third Closings are subject to certain closing conditions, including those discussed above, as described in greater detail in the SPA. The Initial Debenture bears, and the subsequent Convertible Debentures issued under the SPA will bear interest at an annual rate of 0% per annum and will mature on May 31, 2025, as may be extended at the option of the Investor. The interest rate is subject to increase to 18% upon the occurrence and during the continuance of any event of default thereunder as discussed in greater detail below.

If, any time after the issuance date, an amortization event occurs, then the Company is required to make monthly payments to the Investor, beginning on the 10th trading day after the date the amortization event occurs and continuing on the same day of each successive calendar month in an amount equal to the sum of (i) $400,000 of principal (in the aggregate among all Convertible Debentures), or the outstanding principal, if less than such amount (the "Amortization Principal Amount"), plus (ii) a prepayment premium of 8% of any amounts paid (the "Payment Premium"), and (iii) accrued and unpaid interest as of each payment date. The obligation of the Company to make monthly prepayments related to an amortization event ceases upon the Company curing the amortization event as described in the Convertible Debentures.

The Company was not able to meet the filing deadline for the registration statement to register the resale of the shares of common stock issuable upon conversion of the initial Convertible Debenture and as a result an event of default has occurred under the Convertible Debenture; however, the Investor has not yet provided us notice of the acceleration of amounts due thereunder. At any time, until we cure such default, the Investor can provide us notice that the full unpaid principal amount of the outstanding Convertible Debenture, together with interest and other amounts owing in respect thereof, is immediately due and payable in cash.

The Convertible Debenture can be converted into common stock at the option of the noteholder. The conversion is subject to the limitations of the SPA and can be executed at any time or times after the issuance date. The noteholder is entitled to convert any portion of the outstanding and unpaid principal and accrued interest at the Conversion Price (defined as lower of $3.3229 per share of or 91% of the lowest daily volume-weighted average price. The price cannot be lower than the Cap Price (defined as $0.6580 per share). The conversion imposes certain limitations as follows:

1. Beneficial Ownership – the noteholder will not convert any portion of the Convertible Debenture to the extent that after such conversion, the noteholder would beneficially own (as determined in accordance with Section 13(d) of the Exchange Act and the rules promulgated thereunder) in excess of 4.99%.

2. Principal Market Limitation - the Company will not issue any shares of common stock pursuant to the terms of the SPA if the issuance of such shares would exceed the aggregate number of shares of common stock that the Company may issue upon conversion of this Convertible Debenture and any other notes in compliance with the Company's obligations under the rules or regulations of the Principal Market (Nasdaq Stock Market). The number of shares which may be issued without violating such rules and regulations is 390,132. This limitation can be waived if (A)the Company obtains the approval of its stockholders as required by the applicable rules of the Principal Market for issuances of shares of common stock or (B) obtains a written opinion from outside counsel to the Company that such approval is not required.

The Company concluded that the above settlement feature of Convertible Debenture was determined to not be clearly and closely associated with the risk of the debt host instrument and has therefore been bifurcated and separately accounted for as derivative financial instruments. The Company remeasured the fair market value of the derivative liability at each balance sheet date and recognize any change in other expense/(income), net in the consolidated statements of operations.

The Company determined the measurement of its derivative liability to be a Level 3 fair value measurement based on management's estimate of the expected future cash flows required to settle the liabilities. The Company determined the fair value of the derivative liability related to the Convertible Debenture to be approximately $62,852 as of September 28, 2024. The fair value of the derivative liability is presented together with the convertible notes in the condensed interim balance sheet.

NOTE 10: 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 and 39 weeks ended September 28, 2024 and September 30, 2023. 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 and 39 weeks ended September 28, 2024 does not include 27,000 stock options and 8,467 restricted stock units, as well as the issuance of shares that would result from the conversion of the notes, as mentioned above, as their effect was anti-dilutive.

	For the 13 weeks ended		For the 39 weeks ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net loss	$ (887,944)	$ (1,925,951)	$ (3,958,805)	$ (5,905,688)
Weighted Average Shares – Basic	1,951,638	1,604,454	1,931,357	1,562,777
Dilutive effect of stock options and restricted stock units	-	-	-	-
Weighted Average Shares – Diluted	1,951,638	1,604,454	1,931,357	1,562,777
Basic net loss per share	(0.45)	(1.20)	(2.05)	(3.78)
Diluted net loss per share	(0.45)	(1.20)	(2.05)	(3.78)

NOTE 11: STOCKHOLDERS' EQUITY

On June 19, 2023, at the Company's 2023 Annual Meeting of the Stockholders (the "Annual Meeting") of the Company, the stockholders of the Company approved an amendment to the Company's Second Amended and Restated Certificate of Incorporation, to effect a reverse stock split of our issued and outstanding shares of our common stock, par value $0.001 per share, by a ratio of between one-for-four to one-for-twenty, inclusive, with the exact ratio to be set at a whole number to be determined by our 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 "Stockholder Authority").

On February 20, 2024, the Company's Board of Directors (the "Board"), with the Stockholder Authority, approved an amendment to our Second Amended and Restated Certificate of Incorporation to affect a reverse stock split of our common stock at a ratio of 1-for-5 (the "Reverse Stock Split").

On March 4, 2024, the Company filed a Certificate of Amendment to its Second Amended and Restated Certificate of Incorporation (the "Certificate of Amendment") with the Secretary of State of the State of Delaware to affect the Reverse Stock Split.

The Reverse Stock Split was effective on March 7, 2024, at which time every five (5) shares of issued and outstanding common stock were converted into one (1) share of issued and outstanding common stock, and the total outstanding shares of common stock were reduced from approximately 9.5 million to approximately 1.9 million, without giving effect to any rounding up of fractional shares. Because the Certificate of Amendment did not reduce the number of authorized shares of our common stock, the effect of the Reverse Stock Split was to increase the number of shares of our common stock available for issuance relative to the number of shares issued and outstanding. The Reverse Stock Split did not alter the par value of our common stock or modify any voting rights or other terms of our common stock.

The Reverse Stock Split has been retroactively reflected throughout this report.

NOTE 12: EQUITY-BASED COMPENSATION

On May 9, 2021, the Board 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 non-statutory 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. Subject to adjustment in connection with the payment of a stock dividend, a stock split or subdivision or combination of the shares of common stock, or a reorganization or reclassification of the Company's common stock, the aggregate number of shares of common stock which may be issued pursuant to awards under the 2021 Plan is the sum of (i) 520,000 shares, and (ii) an automatic increase on April 1st of each year commencing on April 1, 2022 and ending on (and including) April 1, 2031, 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) 300,000 shares of common stock; provided, however, that the Board 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, also known as an "evergreen" provision. Notwithstanding the above, no more than 1,560,000 incentive stock options may be granted pursuant to the terms of the 2021 Plan. The number of shares of common stock available for awards under the 2021 Plan increased automatically on April, 1, 2022, by 76,178 shares, equal to 5% of our outstanding shares of common stock as of January 2, 2022, April 1, 2023, by 76,881 shares, equal to 5% of our outstanding shares of common stock as of December 31, 2022, and April 1, 2024, by 95,687 shares, equal to 5% of our outstanding shares of common stock as of December 30, 2023, and as a result a total of 768,748 shares are currently available for awards under the 2021 Plan, not including awards previously granted, of which 619,298 shares remain available for future awards, when including awards previously granted.

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 96,000 shares of our common stock at an exercise price of $42.50 per share, to certain employees and consultants of the Company in consideration for services rendered and to be rendered through May 2024; (b) 50,800 restricted stock units, to certain executive officers; and (c) 2,000 restricted stock units ("RSU") to a board of director member. Such options and restricted stock units vested (i) 1/3 on May 15, 2022; (ii) 1/3 on May 15, 2023; and (iii) 1/3 on May 15, 2024. The options each have a term of five years. On May 15, 2022, 17,600 restricted stock units were vested of which 14,072 common stock shares were issued and 3,528 were forfeited and cancelled to settle tax liability on the vested shares. On May 15, 2023, 17,600 restricted stock units were vested of which 16,304 common stock shares were issued and 1,296 were forfeited and cancelled to settle tax liability on the vested shares. On July 21, 2023, 8,467 restricted stock units were vested of which 7,730 shares were issued and 737 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. On May 15, 2024, 8,467 restricted stock units were vested of which 7,730 shares were issued and 737 were forfeited and cancelled to settle tax liability on the vested shares.

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.

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 30, 2023	34,800	$ 42.50
Granted	-	-
Vested	(22,400)	-
Forfeited/Repurchased	(12,400)	-
Unvested options as of September 28, 2024	-	$ 42.50

As of September 28, 2024, there was no unrecognized compensation cost related to unvested options and RSUs granted under the 2021 Plan. 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 ended September 28, 2024 and September 30, 2023, was $0 and $280,543, respectively, and is included as part of payroll expense.

Amortization of this charge, which is included in non-cash compensation expense, for the 39 weeks ended September 28, 2024 and September 30, 2023, was $454,089 and $838,972, respectively, and is included as part of payroll expense.

NOTE 13: RISK CONCENTRATION AND UNCERTAINTIES

The Company uses various vendors for purchases of inventory. For the 13 and 39 weeks ended September 28, 2024, no inventory had been purchased. For the 13 and 39 weeks ended September 30, 2023, three vendors accounted for 89.1% and 83.6% of inventory purchases, respectively.

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 credit loss on a monthly basis for accounts that are deemed uncollectible.

NOTE 14: REVENUE, NET

	For the 13 weeks ended		For the 39 weeks ended	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Subscription boxes	$ 757,697	$ 2,427,615	$ 3,079,199	$ 8,006,725
Third party websites	48,616	491,851	340,317	1,355,062
Online website sales	236,335	469,717	990,760	1,505,793
Total revenue	$ 1,042,648	$ 3,389,183	$ 4,410,276	$ 10,867,580

NOTE 15: SUBSEQUENT EVENTS

During October and November 2024, Nina Footwear Corp. loaned the Company $180,000. The amount loaned was not evidenced by a promissory note, does not accrue interest and is payable on demand.

During November 2024, Mr. Ezra Dabah loaned the Company $70,000. The amount of the loan was not evidenced by a promissory note, does not accrue interest and is payable upon demand.

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 30, 2023, which were included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on April 10, 2024 (the "2023 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 years ended December 28, 2024 and December 30, 2023, are 52-week years and referred to herein as fiscal "2024" and "2023", 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 third quarter of fiscal 2024 and the third quarter of fiscal 2023, refer to the 13 weeks ended September 28, 2024, and September 30, 2023, 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 and 39 weeks ended September 28, 2024, and September 30, 2023, 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.
- Recent Events.
- 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 our products in-house from concept to box.

Staying ahead in an emerging industry requires constant innovation in product and services. After launching our girls' subscription boxes for sizes 4-14 in 2016, 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, we 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.

As of the date of the filing 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).

Events During Fiscal 2024

Reverse Stock Split

On June 19, 2023, at the Company's 2023 Annual Meeting of the Stockholders (the "Annual Meeting") of the Company, the stockholders of the Company approved an amendment to the Company's Second Amended and Restated Certificate of Incorporation, to effect a reverse stock split of our issued and outstanding shares of our common stock, par value $0.001 per share, by a ratio of between one-for-four to one-for-twenty, inclusive, with the exact ratio to be set at a whole number to be determined by our 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 "Stockholder Authority").

On February 20, 2024, the Company's Board of Directors (the "Board"), with the Stockholder Authority, approved an amendment to our Second Amended and Restated Certificate of Incorporation to effect a reverse stock split of our common stock at a ratio of 1-for-5 (the "Reverse Stock Split").

On March 4, 2024, we filed a Certificate of Amendment to our Second Amended and Restated Certificate of Incorporation (the "Certificate of Amendment") with the Secretary of State of the State of Delaware to affect the Reverse Stock Split.

Pursuant to the Certificate of Amendment, the Reverse Stock Split was effective on March 7, 2024, at 12:01 a.m. Eastern Time (the "Effective Time"). The shares of the Company's common stock began trading on the NASDAQ Capital Market ("NASDAQ") on a post-split basis on March 7, 2024, with new CUSIP number: 49382L207. No change was made to the trading symbol for the Company's shares of common stock, "PIK", in connection with the Reverse Stock Split.

At the Effective Time, every five (5) shares of issued and outstanding common stock were converted into one (1) share of issued and outstanding common stock, and the total outstanding shares of common stock were reduced from approximately 9.5 million to approximately 1.9 million, without giving effect to any rounding up of fractional shares. Because the Certificate of Amendment did not reduce the number of authorized shares of our common stock, the effect of the Reverse Stock Split was to increase the number of shares of our common stock available for issuance relative to the number of shares issued and outstanding. The Reverse Stock Split did not alter the par value of our common stock or modify any voting rights or other terms of our common stock.

No fractional shares were issued in connection with the Reverse Stock Split. Stockholders of record who otherwise would be entitled to receive fractional shares instead were entitled to have their fractional shares rounded up to the nearest whole share.

In addition, the number of shares of common stock issuable upon exercise of our stock options and other equity awards (including shares reserved for issuance under the Company's equity compensation plan) were proportionately adjusted by the applicable administrator, using the 1-for-5 ratio, and rounded up to the nearest whole share, to be effective at the Effective Time, pursuant to the terms of the Company's equity plans. In addition, the exercise price for each outstanding stock option was increased in inverse proportion to the 1-for-5 split ratio such that upon an exercise, the aggregate exercise price payable by the optionee to the Company for the shares subject to the option will remain approximately the same as the aggregate exercise price prior to the Reverse Stock Split, subject to the terms of such securities.

The Reverse Stock Split has been retroactively reflected throughout this Report.

Merger Agreement

On March 29, 2024, the Company entered into an Agreement and Plan of Merger and Reorganization with Nina Footwear Corp., a Delaware corporation ("Nina Footwear"), a brand specializing in women's special occasion shoes, bridal shoes, bags and kids shoes, and Kidpik Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"). Upon the terms and subject to the satisfaction of the conditions described in the Merger Agreement, Merger Sub will be merged with and into Nina Footwear, with Nina Footwear surviving as a wholly-owned subsidiary of the Company (the "Merger").

At the effective time of the Merger, the stockholders of the Company immediately prior to the Merger are expected to own approximately 20% of the outstanding shares of the Company's common stock immediately after the Merger and the stockholders of Nina Footwear immediately prior to the Merger will own approximately 80% of the outstanding shares of the Company's common stock immediately after the Merger.

Mr. Dabah and his children own approximately 79.3% of Nina Footwear, and Mr. Dabah and his extended family own 100% of Nina Footwear, and Moshe Dabah (Mr. Dabah's son), is the Vice President, Chief Operating Officer and Chief Technology Officer of the Company, and the Secretary of Nina Footwear. There are also a number of related party transactions between Nina Footwear and the Company. Mr. Dabah and his family will continue to control approximately 76.8% of the combined company's voting shares following the closing of the Merger (the "Closing").

Following the Closing of the Merger, the Company's executive officers and directors will remain the same as immediately prior to the Merger.

The closing of the Merger is subject to certain mutual closing conditions. The Company's obligation to consummate the Merger is also subject to (i) Nina Footwear acknowledging that all of the debt owed by the Company to Nina Footwear (approximately $2.9 million currently and which amount may increase until the closing of the Merger) is extinguished as consideration of entering into the Merger; (ii) the waiver or termination of certain change of control and related triggering events held by certain stockholders of Nina Footwear which if not waived may have required approximately $2.55 million to be paid to such stockholders of Nina Footwear at Closing; and (iii) holders of no more than 10% of the shares of Nina Footwear capital stock exercising their statutory appraisal rights in connection with the Merger.

On July 22, 2024, the Company, Nina Footwear and Merger Sub entered into a First Amendment to Agreement and Plan of Merger and Reorganization (the "First Amendment"), pursuant to which each of the parties agreed to extend the required closing date of the Merger from September 30, 2024, to December 31, 2024.

We currently anticipate that the closing of the Merger will occur in the first quarter of 2025, and expect to enter into a further amendment to the Merger Agreement to amend the required closing date of the Merger to March 31, 2025 following the date of this Report.

Warehouse Move From California to Texas

In March 2024, we moved our warehouse from California to Texas. As a result of the change in warehouse location, all of our California employees terminated their employment with us, and we were forced to pay severance payments and hire and train new employees in Texas. As a result, we were unable to ship products or process returns for the second half of March and the majority of April. The move in warehouse location from California to Texas was costly, used management resources, and significantly affected sales for March and April 2024, which were paused while merchandise was shipped from California to Texas and the Texas warehouse was brought online. Furthermore, we may have lost, and/or may lose in the future, customers who were not satisfied with the long shipping and return terms associated with the move. It will cost us additional money to continue to train new employees, and our new employees may not be as productive as older employees, which may increase expenses and decrease margins. If we are unable to adequately staff our new warehouse and any future warehouse(s) or if the cost of such staffing is higher than historical or projected costs, our margins may be negatively affected. In addition, warehousing comes with potential risks, such as workplace safety issues and employment claims for the failure or alleged failure to comply with labor laws or laws respecting union organizing activities. Any such issues may result in delays in shipping times or packing quality, and our reputation and operating results may be harmed.

Our revenues and margins were significantly negatively affected by the move in our warehouse from California to Texas in March and April 2024.

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.

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 loss on derivative. 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.

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 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Net loss	$ (887,944)	$ (1,925,951)	$ (3,958,805)	$ (5,905,688)
Add				
Interest expense	26,163	22,117	65,980	71,722
Loss on derivative	41,852	-	41,852	-
Depreciation and amortization	11,532	12,503	36,173	35,616
Equity-based compensation	-	280,543	454,089	838,972
Adjusted EBITDA	$ (808,397)	$ (1,610,788)	$ (3,360,711)	$ (4,959,378)

Shipped Items

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

	For the 13 weeks ended (in thousands)		For the 39 weeks ended (in thousands)	
	September 28, 2024	September 30, 2023	September 28, 2024	September 30, 2023
Shipped Items	107	292	437	923

We believe the decreases in shipped items for the 13 and 39 weeks ended September 28, 2024, compared to the 13 and 39 weeks ended September 30, 2023, as shown in the table above, were driven by a decrease in subscription boxes sales as a result of the Company stopping marketing expenditures to convert customers into subscribers and a lower starting customer base in comparison to 2023. Shipped items also decreased due to a reduction in online and third-party website sales. Also contributing for the 39 week period ended September 28, 2024, is the move of our warehouse to Texas from California, which resulted in the Company shipping a minimal amount of merchandise during the months of March and April 2024.

Average Shipment Keep Rate

	For the 13 weeks ended		For the 39 weeks ended	
	September 28, 2024	**September 30, 2023**	**September 28, 2024**	**September 30, 2023**
Average Shipment Keep Rate	67.7%	82.6%	74.5%	74.9%

The 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. Part of the decrease for the 13 weeks ended September 28, 2024 from the same period in the prior year is due to the proportionally higher online sales for the same period last year compared to the current year, which traditionally has lower return rates versus subscription box sales. For the 39 weeks ended September 28, 2024, compared to the same period in the prior year, keep rate was relatively flat, which is the result of lower box sales compared to online sales which have a lower return rate.

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, business conditions, changes in the housing market, the availability of credit, 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 selling our inventory and improving our overall customer experience.

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 sent products and billed 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, or we are not unable to satisfy members with the boxes we ship them and customer retention decreases in the future, then future revenue will be negatively impacted.

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

Payroll and Related Expenses

Payroll and related expenses represent employee salaries, taxes, benefits, share-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.

Depreciation and Amortization

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

Interest Expense

Interest expense consists primarily of interest expense associated with our cash advance loans, and amortization of debt discount and outstanding notes payable.

Other Expense (Income)

Other expense (income) consists primarily of changes in fair value of derivatives associated with our convertible debt re-evaluation.

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. The Company has a net operating loss of approximately $40 million which is one of the reasons that Nina Footwear entered into the proposed merger transaction discussed above under "Recent Events", "Merger Agreement".

Results of Operations

Comparison of the 13 and 39 weeks ended September 28, 2024, and September 30, 2023

Revenue

Our revenue for the 13 weeks ended September 28, 2024, decreased by 69.2% to $1,042,648, compared to $3,389,183 for the 13 weeks ended September 30, 2023, a decrease of $2,346,535 from the prior period. Subscription box revenue decreased $1,669,918 due to a reduction in new subscribers, and the elimination of marketing expenditures to convert customers into subscribers along with a lower starting number of subscribers at the beginning of the period in comparison to last year. Third-party websites' sales decreased by $443,235, and online website sales decreased by $233,382, which are due to the Company's decision not to purchase new merchandise, reduce marketing expenditures and focus on selling its existing inventory. The revenue breakdown by sales channel for the 13 weeks ended September 28, 2024, and September 30, 2023, is summarized in the table below:

	13 weeks ended September 28, 2024	13 weeks ended September 30, 2023	Change ($)	Change (%)
Revenue by channel				
Subscription boxes	$ 757,697	$ 2,427,615	$ (1,669,918)	(68.8)%
Third-party websites	48,616	491,851	(443,235)	(90.1)%
Online website sales	236,335	469,717	(233,382)	(49.7)%
Total revenue	$ 1,042,648	$ 3,389,183	$ (2,346,535)	(69.2)%

Our revenue for the 39 weeks ended September 28, 2024, decreased by 59.4% to $4,410,276, compared to $10,867,580 for the 39 weeks ended September 30, 2023, a decrease of $6,457,304 from the prior period. Subscription box revenue decreased $4,927,526 because of a reduction in new subscribers, due to the elimination of marketing expenditures to convert customers into subscribers and a lower starting number of subscribers at the beginning of the period in comparison to last year. Third-party websites sales decreased by $1,014,745, and online website sales decreased by $515,033, which are due to the Company's decision not to purchase new merchandise, reduce marketing expenditures and focus on selling its existing inventory. Also contributing to the decreased revenue is the decision to move our warehouse from California to Texas, during which the Company experienced business disruption during the months of March and April 2024. The revenue breakdown by sales channel for the 39 weeks ended September 28, 2024, and September 30, 2023, is summarized in the table below:

	39 weeks ended September 28, 2024	39 weeks ended September 30, 2023	Change ($)	Change (%)
Revenue by channel				
Subscription boxes	$ 3,079,199	$ 8,006,725	$ (4,927,526)	(61.5)%
Third-party websites	340,317	1,355,062	(1,014,745)	(74.9)%
Online website sales	990,760	1,505,793	(515,033)	(34.2)%
Total revenue	$ 4,410,276	$ 10,867,580	$ (6,457,304)	(59.4)%

The revenue from subscription boxes for the 13 weeks ended September 28, 2024, and September 30, 2023 was generated from active subscription recurring boxes revenue and new subscription first box revenue, as summarized in the table below:

	13 weeks ended September 28, 2024	13 weeks ended September 30, 2023	Change ($)	Change (%)
Subscription boxes revenue from				
Active subscriptions – recurring boxes	$ 716,781	$ 1,971,223	$ (1,254,442)	(63.6)%
New subscriptions – first box	40,916	456,392	(415,476)	(91.0)%
Total subscription boxes revenue	$ 757,697	$ 2,427,615	$ (1,669,918)	(68.8)%

The decrease in revenue for the 13 weeks ended September 28, 2024 was primarily driven by a decrease in subscription boxes sales. Subscription box revenue decreased because of a reduction in new subscribers, which was the result of the Company's elimination of marketing expenditures to convert customers to subscribers, and a lower subscriber starting base at the beginning of the period compared to the same period last year.

The revenue from subscription boxes for the 39 weeks ended September 28, 2024, and September 30, 2023, was generated from active subscriptions recurring boxes revenue and new subscriptions first box revenue, as summarized in the table below:

	39 weeks ended September 28, 2024	39 weeks ended September 30, 2023	Change ($)	Change (%)
Subscription boxes revenue from				
Active subscriptions – recurring boxes	$ 2,951,335	$ 6,549,547	$ (3,598,212)	(54.9)%
New subscriptions - first box	127,864	1,457,178	(1,329,314)	(91.2)%
Total subscription boxes revenue	$ 3,079,199	$ 8,006,725	$ (4,927,526)	(61.5)%

The decrease in revenue for the 39 weeks ended September 28, 2024, was primarily driven by a decrease in subscription boxes sales. Subscription box revenue decreased because of a reduction in new subscribers, which was the result of the Company's elimination of marketing expenditures to convert customers to subscribers, and a lower subscriber base at the beginning of the period compared to the same period last year.

The revenue breakdown by product line for the 13 weeks ended September 28, 2024, and September 30, 2023, is summarized in the table below:

	13 weeks ended September 28, 2024	13 weeks ended September 30, 2023	Change ($)	Change (%)
Revenue by product line				
Girls' apparel	$ 773,031	$ 2,599,762	$ (1,826,731)	(70.3)%
Boys' apparel	231,362	642,051	(410,689)	(64.0)%
Toddlers' apparel	38,255	147,370	(109,115)	(74.0)%
Total revenue	$ 1,042,648	$ 3,389,183	$ (2,346,535)	(69.2)%

The decrease in revenue for the 39 weeks ended September 28, 2024 was primarily driven by a decrease in subscription boxes sales, as discussed above. The revenue breakdown by product line for the 39 weeks ended September 28, 2024, and September 30, 2023, is summarized in the tables below:

	39 weeks ended September 28, 2024	39 weeks ended September 30, 2023	Change ($)	Change (%)
Revenue by product line				
Girls' apparel	$ 3,303,536	$ 8,284,482	$ (4,980,946)	(60.1)%
Boys' apparel	952,036	2,070,147	(1,118,111)	(54.0)%
Toddlers' apparel	154,704	512,951	(358,247)	(69.8)%
Total revenue	$ 4,410,276	$ 10,867,580	$ (6,457,304)	(59.4)%

The number of items shipped to our customers decreased by 63.4% from approximately 292,000 for the 13 weeks ended September 30, 2023, to approximately 107,000 for the 13 weeks ended September 28, 2024, due to the Company's elimination of marketing expenditures to convert customers to subscribers and the Company's decision not to buy new merchandise. The average shipment keep rate decreased to 67.7% in the 13 weeks ended September 28, 2024, compared to 82.6% in the 13 weeks ended September 30, 2023, as discussed above.

The number of items shipped to our customers decreased by 52.7%, from approximately 923,000 for the 39 weeks ended September 30, 2023, to approximately 437,000 for the 39 weeks ended September 28, 2024, which was the result in decreased revenues as well as the move of our warehouse facility from California to Texas (resulting in downtime for the warehouse). The average shipment keep rate remained relatively flat at 74.5% for the 39 weeks ended September 28, 2024, compared to 74.9% in the 39 weeks ended September 30, 2023.

Cost of Goods Sold

Our cost of goods sold decreased by 75.2% to $327,306 for the 13 weeks ended September 28, 2024, compared to $1,317,684 for the 13 weeks ended September 30, 2023, a decrease of $990,378.

Our cost of goods sold decreased by 67.9% to $1,382,424 for the 39 weeks ended September 28, 2024, compared to $4,309,473 for the 39 weeks ended September 30, 2023, a decrease of $2,927,049.

The decrease in cost of goods sold for the 13 and 39 weeks ended September 28, 2024, compared to the same period in fiscal 2023, was primarily attributable to the decrease in our revenue due to the lower sales. The Company recorded a write-down of inventory in the fourth quarter of 2023 of approximately $2.9 million, thus reducing the cost basis of future sales.

Gross Profit and Gross Profit as a Percentage of Revenue

Our gross profit was $715,342 for the 13 weeks ended September 28, 2024, compared to gross profit of $2,071,499 for the 13 weeks ended September 30, 2023. The decrease in gross profit for the 13 weeks ended September 28, 2024, compared to the same period in fiscal 2023, was primarily attributable to the decrease in our revenue due to the lower sales driven by the elimination of marketing expenditures to convert customers to subscribers, lower base of subscribers at the beginning of the period and the Company's decision not to buy new merchandise, offset by the decrease in cost of goods sold for the reasons discussed above.

Gross profit as a percentage of revenue was 68.6% for the 13 weeks ended September 28, 2024, compared to 61.1% for the 13 weeks ended September 30, 2023. Without the reduction of cost basis due to the write-down recorded in the fourth quarter, gross margin would be 54.3% for the 13 weeks ended September 28, 2024.

Our gross profit was $3,027,852 for the 39 weeks ended September 28, 2024, compared to gross profit of $6,558,107 for the 39 weeks ended September 30, 2023. The decrease in gross profit for the 39 weeks ended September 28, 2024, compared to the same period in 2023, was primarily attributable to the decrease in our revenue, due to the lower subscription box sales driven by the elimination of marketing expenditures to convert customers to subscribers, lower base of subscribers at the beginning of the year and the Company's decision not to buy new merchandise.

Gross profit as a percentage of revenue was 68.7% for the 39 weeks ended September 28, 2024, compared to 60.3% for the 39 weeks ended September 30, 2023. Without the reduction of cost basis due to the write-down recorded in the fourth quarter, gross margin would be 55.6% for the 39 weeks ended September 28, 2024, as a result of higher markdowns to sell off inventory.

Operating Expenses

Our operating expenses for the 13 weeks ended September 28, 2024, and September 30, 2023, are summarized in the table below:

	13 weeks ended September 28, 2024	13 weeks ended September 30, 2023	Change ($)	Change (%)
Expenses				
Shipping and handling	$ 450,638	1,032,678	$ (582,040)	(56.4)%
Payroll, related costs and equity-based compensation	353,994	991,044	(637,050)	(64.3)%
General and administrative	719,107	1,939,108	(1,220,001)	(62.9)%
Depreciation and amortization	11,532	12,503	(971)	(7.8)%
Total expenses	$ 1,535,271	3,975,333	$ (2,440,062)	(61.4)%

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 28, 2024, decreased by $2,440,062 or 61.4% to $1,535,271, compared to $3,975,333 for the 13 weeks ended September 30, 2023. This decrease was mainly a result of (i) a $1,220,001 decrease in general and administrative expenses, mainly due to a decrease in marketing expenses due to the elimination of spending for the conversion of customers to subscribers, reduction in third-party seller fees, credit card fees and bad debt expense which are all directly related to reductions in sales, as well as professional fees and franchise taxes, (ii) a decrease in payroll and related costs of $637,050, due to lower headcount related to cost reductions and a decrease in non-cash, equity-based compensation, and (iii) a $582,040 decrease in shipping and handling, which is the direct result of a decrease in sales.

Our operating expenses for the 39 weeks ended September 28, 2024, and September 30, 2023, are summarized in the table below:

	39 weeks ended September 28, 2024	39 weeks ended September 30, 2023	Change ($)	Change (%)
Expenses				
Shipping and handling	$ 1,843,711	$ 3,171,634	$ (1,327,923)	(41.9)%
Payroll, related costs and equity-based compensation	1,765,019	3,196,280	(1,431,261)	(44.8)%
General and administrative	3,233,922	5,988,543	(2,754,621)	(46.0)%
Depreciation and amortization	36,173	35,616	557	1.6%
Total expenses	$ 6,878,825	$ 12,392,073	$ (5,513,248)	(44.5)%

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 28, 2024, decreased by $5,513,248 or 44.5% to $6,878,825, compared to $12,392,073 for the 39 weeks ended September 30, 2023. This decrease was mainly a result of (i) a $2,754,621 decrease in general and administrative expenses, mainly due to a decrease in marketing expenses due to the elimination of spending for the conversion of customers to subscribers, third-party seller fees which are directly related to sales, offset by an increase in professional fees, occupancy and costs related to moving, staging and startup personal training expenses due the move of the California warehouse to Texas, (ii) a decrease in payroll and related costs of $1,431,261, due to a lower headcount related to cost reductions and a decrease in non-cash, equity-based compensation , and (iii) a $1,327,923 decrease in shipping and handling, which is the direct result of a decrease in sales.

Loss from Operations

Loss from operations decreased from $1,903,834 for the 13 weeks ended September 30, 2023, to $819,930 for the 13 weeks ended September 28, 2024. The decrease in loss from operations was largely due to a decrease in expenses and cost of goods sold, each as discussed above, offset by the decrease in revenues discussed above.

Loss from operations decreased from $5,833,966 for the 39 weeks ended September 30, 2023, to $3,850,974 for the 39 weeks ended September 28, 2024. The decrease in loss from operations was largely due to a decrease in expenses and cost of goods sold, offset by the decrease in revenues, each as discussed above.

Other Expenses (Income)

For the 13 weeks ended September 28, 2024, and September 30, 2023, total other expenses, increased from $22,117 for the 13 weeks ended September 30, 2023, to $68,015 for the 13 weeks ended as of September 28, 2024. The increase is the result of a loss on derivatives of $41,852, from re-evaluation of convertible debt, offset by an increase in interest expense of $26,163 from financing costs and amortization of discount related to convertible debt.

For the 39 weeks ended September 28, 2024, and September 30, 2023, total other expenses, increased from $71,722 for the 13 weeks ended September 30, 2023, to $107,832 for the 39 weeks ended as of September 28, 2024. The increase is the result of a loss on derivatives of $41,852, from re-evaluation of convertible debt, offset by a decrease in interest expense of $5,742 from financing costs and amortization of discount related to convertible debt.

Net Loss

We had a net loss of $887,944 for the 13 weeks ended September 28, 2024, compared to a net loss of $1,925,951 for the 13 weeks ended September 30, 2023, a decrease in net loss of $1,038,007 or 53.9%. The decrease in net loss was primarily due to a decrease in expenses and cost of goods sold, offset by the decrease in revenues, each as discussed above.

We had a net loss of $3,958,805 for the 39 weeks ended September 28, 2024, compared to a net loss of $5,905,688 for the 39 weeks ended September 30, 2023, a decrease in net loss of $1,946,883 or 33.0%. The decrease in net loss was primarily due to a decrease in expenses and cost of goods sold, offset by the decrease in revenues, each as discussed above.

Liquidity and Capital Resources

	September 28, 2024	December 30, 2023	Change ($)	Change (%)
Cash and restricted cash	$ 7,823	$ 199,133	$ (191,310)	(96.1)%
Working capital (deficit)	$ (2,843,992)	$ 727,546	$ (3,571,538)	(490.9)%
Short-term debt and related loans	$ 2,341,682	$ 850,000	$ 1,491,682	175.5%

As of September 28, 2024, we had $7,823 of cash on hand (including restricted cash of $4,618), compared to $199,133 of cash on hand at December 30, 2023 (including restricted cash of $4,618).

As of September 28, 2024, the Company had total current liabilities of $7,009,066, consisting mainly of accounts payable of $1,737,249, accounts payable to related party of $2,236,315, accrued expenses of $273,490, operating lease liability of $420,331, and short-term debt and related party loans of $2,341,682 (discussed below).

As of September 28, 2024, we had $4,165,074 in total current assets, a working capital deficit of $2,843,992 and a total accumulated deficit of $55,399,032.

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 28, 2024), notes payable including from Nina Footwear Corp., which Mr. Dabah and his children own approximately 79.3 % of, and Mr. Dabah and his extended family own 100% of, and Moshe Dabah (Mr. Dabah's son), is the Vice President, Chief Operating Officer and Chief Technology Officer of the Company, and the Secretary of "Nina Footwear", a related party, and a line of credit (repaid as of January 1, 2022), and cash advance agreements , 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, and funds loaned to us by Nina Footwear and Mr. Dabah, to support our operations.

On April 16, 2024, the Company received a letter from the Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that its stockholders' equity as reported in its Annual Report on Form 10-K for the period ending December 30, 2023 (the "Form 10-K"), did not meet the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market. Nasdaq Listing Rule 5550(b)(1) requires companies listed on the Nasdaq Capital Market to maintain stockholders' equity of at least $2,500,000 (the "Equity Rule"). In the Company's Form 10-K, the Company reported stockholders' equity of $1,036,834, which is below the minimum stockholders' equity required for continued listing pursuant to Nasdaq Listing Rule 5550(b)(1). Additionally, as of the date of this Report, the Company does not have stockholders' equity greater than $2.5 million and does meet the alternative Nasdaq continued listing standards under Nasdaq Listing Rules.

Nasdaq gave the Company until May 31, 2024 to submit to Nasdaq a plan to regain compliance, which plan was timely submitted. The plan discussed our expectation to regain compliance with the Equity Rule upon the closing of the Merger. At the time of the filing of the plan of compliance, the Company also advised Nasdaq that it was the Company's expectation to regain compliance with the Equity Rule by October 14, 2024 (180 days after the date from the original deficiency notification, which is the maximum amount of time the Staff can provide, in its discretion, for an issuer to regain compliance with the Equity Rule).

Due to unforeseen delays in completing the required Nina Footwear financial statements and pro forma information, we were unfortunately delayed in filing the required proxy statement necessary to seek stockholder approval for the issuance of common stock in connection with the Merger, and therefore have been delayed in completing the Merger.

As a result, on October 2, 2024, the Company received a delist determination letter from the Listing Qualifications department (the "Staff") of The Nasdaq Stock Market LLC ("Nasdaq") advising the Company that as a result of our failure to file the proxy statement as of such date, and because Nasdaq has determined that it would not be possible for the Merger to close before October 14, 2024, the Staff has determined that the Company did not provide a definitive plan evidencing its ability to achieve compliance with the continued listing requirements and to deny the Company's request for continued listing on The Nasdaq Capital Market.

The Company subsequently submitted a hearing request to the Nasdaq Hearings Panel (the "Panel"), which request stayed any delisting action by the Staff at least until the hearing process concludes and any extension granted by the Panel expires.

At the Panel hearing, the Company intends to present a plan to regain compliance with the minimum stockholders' equity requirement, which is expected to be based around the closing of the planned Merger. In the interim, the Company's common stock will continue to trade on Nasdaq under the symbol "PIK" at least pending the ultimate conclusion of the hearing process.

There can be no assurance that the Company's plan will be accepted by the Panel or that, if it is, the Company will be able to regain compliance with the applicable Nasdaq listing requirements. If the Company's common stock is delisted, it could be more difficult to buy or sell the Company's common stock or to obtain accurate quotations, and the price of the Company's common stock could suffer a material decline. Delisting could also impair the Company's ability to raise capital and/or trigger defaults and penalties under outstanding agreements or securities of the Company.

The Company remains committed to completing the Merger and has filed a preliminary proxy statement with the SEC relating to the Merger to date. However, there can be no assurance that the Company will be able to timely file a definitive proxy statement, and/or that the Company will be able to complete the transactions necessary to regain compliance with the Equity Rule, including the Merger.

Cash Flows

	39 weeks ended September 28, 2024	39 weeks ended September 30, 2023
Cash (used in) provided by:		
Operating activities	$ (1,617,473)	$ (461,162)
Investing activities	-	(77,299)
Financing activities	1,426,163	(6,447)
Net decrease in cash	$ (191,310)	$ (544,908)

Net cash used in operating activities increased to $1,617,473 for the 39 weeks ended September 28, 2024, compared to $461,162 for the 39 weeks ended September 30, 2023. The change in our cash used in operating activities was primarily due to a decrease in the changes in operating assets and liabilities of $2,596,890, and a decrease in non-cash adjustments of $506,303, partially offset by a decrease in net loss of $1,946,883.

To further elaborate on the changes noted above, there was a significant decrease in revenues because the Company is not marketing subscription services and/or acquiring/maintaining customers and because the Company had a lower customer base at the start of the year. We also decided not to purchase any inventory and sell through our current quantities, thus limiting selection available to our customers. The Company also experienced business disruption of sales and additional expenses associated with the move of our warehouse from California to Texas in April and May of 2024.

We had no net cash used in investing activities for the 39 weeks ended September 28, 2024, compared to $77,299 of net cash used in investing activities for the 39 weeks ended September 30, 2023, which was solely due to the purchase of leasehold improvements and equipment.

We had $1,426,163 of net cash provided by financing activities for the 39 weeks ended September 28, 2024, which was related to net proceeds from cash advances from a financial institution, convertible debt, and related party loans, compared to net cash used in financing activities of $6,447 related to cash used to settle equity awards for the 39 weeks ended September 30, 2023.

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, the 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 310,760 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 28, 2024 and December 30, 2023, there was $2,236,315 and $1,868,411 due to related party, Nina Footwear, respectively.

During March 2024, Mr. Dabah loaned the Company $85,000, of which $35,000 was repaid in April 2024. The amount loaned was not evidenced by a promissory note, does not accrue interest and is payable on demand.

On April 18, 2024, the Company entered into a $346,000 Promissory Note (the "Nina Footwear Note"), with Nina Footwear. The Nina Footwear Note in the principal amount of $346,000, does not accrue interest and accrues interest of 5% per annum upon the occurrence of an event of default; with weekly payments of principal and interest in the amount of $14,605, due each week beginning with the week ended April 26, 2024, until the earlier of, the maturity date of such note, the payment in full thereof, or the closing of the Merger, where the Nina Footwear Note is expected to be forgiven by Nina Footwear. The Nina Footwear Note is due upon the earlier of October 31, 2024, and upon acceleration by Nina Footwear pursuant to the terms thereof.

The note includes customary events of default and allows Nina Footwear the right to accelerate the amount due under the note upon the occurrence of such event of default, subject to certain cure rights.

The Company anticipates working with Nina Footwear to extend the due date of the note through the closing date of the Merger following the date of this filing.

During the period from May 2024 thru September 2024, Nina Footwear loaned the Company $403,000. The amount loaned was not evidenced by a promissory note, does not accrue interest and is payable on demand.

During October and November 2024, Nina Footwear Corp. loaned the Company $180,000. The amount loaned was not evidenced by a promissory note, does not accrue interest and is payable on demand.

During November 2024 Mr. Ezra Dabah loaned the Company $70,000. The amount loaned was not evidenced by a promissory note, does not accrue interest and is payable upon demand.

Convertible Debentures

On May 31, 2024, the Company entered into a Securities Purchase Agreement (the "SPA") with EF Hutton YA Fund, LP (the "Investor"). Pursuant to the SPA, we agreed to sell the Investor three tranches of convertible debentures, in an aggregate principal amount of $2,000,000 (the "Convertible Debentures").

On May 31, 2024, the first tranche of Convertible Debentures with a face amount of $500,000 (the "Initial Debenture") was sold to the Investor. We also agreed to sell an additional $500,000 in Convertible Debentures (the "Second Closing" and the "Second Convertible Debenture") upon the filing of a Definitive Proxy Statement with the SEC to seek stockholder approval for among other things, the pending merger with Nina Footwear Corp. (the "Definitive Proxy Statement"), and $1,000,000 (the "Third Closing" and the "Third Convertible Debenture") in Convertible Debentures on or about the date the Initial Registration Statement (as defined below) becomes effective and the approval of its stockholders as required by the applicable rules of the Nasdaq Capital Market, for issuances of shares in excess of the Exchange Cap (as defined below) has been obtained (the date of such stockholder approval, the "Shareholder Approval").

We agreed to sell all Convertible Debentures with a 10% original issue discount, and, as a result thereof, we received $450,000 in gross proceeds, prior to expenses, upon the sale of the Initial Debenture. The Second and Third Closings are subject to certain closing conditions, including those discussed above, as described in greater detail in the SPA.

The Initial Debenture bears, and the subsequent Convertible Debentures issued under the SPA will bear, interest at an annual rate of 0.0% per annum and will mature on May 31, 2025, as may be extended at the option of the Investor. The interest rate is subject to increase to 18% upon the occurrence and during the continuance of any event of default thereunder as discussed in greater detail below.

If, any time after the issuance date, an Amortization Event (as defined below) occurs, then the Company is required to make monthly payments to the Investor, beginning on the 10th trading day after the date the Amortization Event occurs and continuing on the same day of each successive calendar month in an amount equal to the sum of (i) $400,000 of principal (in the aggregate among all Convertible Debentures), or the outstanding principal, if less than such amount (the "Amortization Principal Amount"), plus (ii) a prepayment premium of 8% of any amounts paid (the "Payment Premium"), and (iii) accrued and unpaid interest as of each payment date. The obligation of the Company to make monthly prepayments related to an Amortization Event shall cease (with respect to any payment that has not yet come due) if any time after the occurrence of an Amortization Event (A) in the event of a Floor Price Event (defined below), either (i) on the date that is the 5th consecutive trading day that the daily volume weighted average price (VWAP) is greater than 110% of the Floor Price (defined below) then in effect, or (ii) prior to the due date of a monthly payment, the Company has delivered a valid Reduction Notice (defined below) and such reduced Floor Price does not exceed 50% of the market price at the time of such Reduction Notice; or (B) in the event of an Exchange Cap Event, the date the Company has obtained Stockholder Approval to increase the number of shares of common stock under the Exchange Cap and/or the Exchange Cap no longer applies, or (C) in the event of a Registration Event (defined in the Registration Rights Agreement discussed below), the condition or event causing the Registration Event has been cured or the holder is able to resell the shares of common stock issuable upon conversion of the Convertible Debentures in accordance with Rule 144 under the Securities Act, unless a subsequent Amortization Event occurs.

"Amortization Event" means (i) the daily VWAP is less than the Floor Price then in effect for five trading days during a period of seven consecutive Trading Days (a "Floor Price Event"), (ii) unless the Company has obtained the approval from its stockholders in accordance with the rules of the Nasdaq Capital Market for the shares of common stock issuable upon conversion of the Convertible Debentures (such conversion shares in general, the "Conversion Shares") in excess of the Exchange Cap, the Company has issued in excess of 99% of the common stock available under the Exchange Cap (an "Exchange Cap Event"), or (iii) any time after the Effectiveness Deadline (as defined in the Registration Rights Agreement) a Registration Default (as defined in the Registration Rights Agreement) has occurred.

Pursuant to the Convertible Debentures, we have the right, but not the obligation, to redeem early in cash a portion or all amounts outstanding under the Convertible Debentures at the Redemption Amount (as defined below); provided that we provide the holder with at least 10 trading days' prior written notice (each, a "Redemption Notice"), which Redemption Notice may only be given if the VWAP on the date such Redemption Notice is delivered is less than the Fixed Price. The "Redemption Amount" means the outstanding principal balance being redeemed by the Company, plus the Payment Premium in respect of such principal amount, plus all accrued and unpaid interest thereunder as of such redemption date. After receipt of a Redemption Notice, the holder has ten trading days (beginning with the trading day immediately following the date of such Redemption Notice) to elect to convert all or any portion of the outstanding principal of the Convertible Debenture plus all accrued and unpaid Interest, if any, plus the Payment Premium, if any, in respect of such Principal. Notwithstanding the foregoing, unless such payment requirement is waived by the Holder, the Company is entitled to make two $25,000 redemption payments without incurring the Payment Premium and without providing the requisite 10-day notice, provided that such payments are made pursuant to the terms of the Registration Rights Agreement, discussed below.

Subject to the Exchange Cap and the Stockholder Approval Requirement (defined below), any portion of the outstanding and unpaid principal amount of the Convertible Debentures, together with accrued but unpaid interest, may be converted into shares of common stock of the Company (the "Conversion Shares") based on a conversion price of the lower of (i) $3.3229 per share of common stock (the "Fixed Price"), or (ii) 91% of the lowest daily volume weighted average trading prices (VWAP) for the common stock during the 7 consecutive trading days immediately preceding the conversion date or other date of determination (the "Market Price"), but which Market Price shall not be lower than the Floor Price. Notwithstanding the above, on the closing of the last trading day immediately prior to the effective date of the initial Registration Statement (the "Fixed Price Reset Date"), the Fixed Price is adjusted (downwards only) to equal the closing price as of the Fixed Price Reset Date. "Floor Price" means $0.6580 per share; provided, however, the Company may reduce the Floor Price to any amounts set forth in a written notice to the holder (a "Reduction Notice"), provided that such reduction shall be irrevocable and shall not be subject to increase thereafter.

The Investor may convert the Convertible Debentures so long as the aggregate number of shares of common stock issued upon conversion thereof does not exceed 390,132 shares (the "Exchange Cap"), provided, however, that the foregoing restriction will no longer apply when the transactions contemplated by the SPA (as well as any other transactions that may be considered part of the same series of transactions pursuant to and in accordance with Nasdaq rules and regulations) have been approved by the Company's stockholders in accordance with Nasdaq Listing Rule 5635(d) (the "Stockholder Approval Requirement"). Furthermore, the Convertible Debentures may not be converted into shares of common stock to the extent such conversion would result in the Investor and its affiliates having beneficial ownership of more than 4.99% of the Company's then outstanding shares of common stock, provided that this limitation may be waived by the Investor upon not less than 65 days' prior notice to the Company.

Pursuant to the SPA, the Company agreed to use commercially reasonable efforts to call and hold a special or annual meeting of stockholders for the purpose of seeking the approval of its stockholders as required by the applicable rules of the Nasdaq Capital Market for issuances of shares in excess of the Exchange Cap. The Company also agreed to use reasonable efforts to hold the special or annual meeting prior to the expected effectiveness of the Initial Registration Statement, or within a short time thereafter. In accordance with the rules of the Nasdaq Capital Market, no shares of common stock beneficially owned by the Investor shall be counted in any vote in favor of the Shareholder Approval.

If the Company, at any time while the Convertible Debentures are outstanding, issues or sells any shares of common stock or convertible securities for consideration per share (the "New Issuance Price") less than a price equal to the Fixed Price in effect immediately prior to such issue or sale (such price the "Applicable Price") (the foregoing a "Dilutive Issuance"), then immediately after such Dilutive Issuance, the Fixed Price then in effect shall be reduced to an amount equal to the New Issuance Price; provided however, the issuance of any certain Excluded Securities (defined in the Convertible Debentures) shall not be considered a Dilutive Issuance.

Events of default under the Convertible Debentures include (a) the Company's failure to timely pay amounts due under the Convertible Debentures, subject to a five business day cure period; (b) certain bankruptcy events involving the Company or any significant subsidiary occur and are continuing; (c) cross defaults of indebtedness exceeding $100,000, subject to certain cure rights; (d) final judgments against the Company in excess of $100,000, subject to certain discharge and bonding rights; (e) the Company's common stock shall cease to be quoted or listed for trading, as applicable, on any principal market for a period of ten consecutive trading days; (f) the Company or any subsidiary of the Company shall be a party to any Change of Control Transaction (as defined in the Convertible Debentures) unless in connection with such transaction the Convertible Debentures are redeemed; (g) the Company's failure to timely deliver shares of common stock upon conversion of the Convertible Debentures, or failure to timely comply with any buy-in obligation under the Convertible Debentures; (h) the Company's failure to timely file with the Commission any periodic report, subject to certain cure rights; (i) any representation or warranty made or deemed to be made by or on behalf of the Company in, or in connection with any transaction document, shall prove to have been incorrect in any material respect (or, in the case of any such representation or warranty already qualified by materiality, such representation or warranty shall prove to have been incorrect) when made or deemed made; or (j) any material provision of any transaction document, at any time after its execution and delivery and for any reason other than as expressly permitted thereunder, ceases to be in full force and effect; or the Company or any other person contests in writing the validity or enforceability of any provision of any transaction document.

If an event of default under the Convertible Debentures occurs and is continuing, the full unpaid principal amount of the applicable Convertible Debentures, together with interest and other amounts owing in respect thereof, to the date of acceleration shall become, at the applicable Investor's election by notice to the Company, immediately due and payable in cash.

The SPA included representations, warranties, covenants, confidentiality and indemnification obligations, customary for a transaction of the size and type contemplated by the SPA.

We also agreed pursuant to the SPA to not enter into any variable rate transaction or issue or sell any equity, warrants, or debt securities at an implied discount (taking into account all the securities issuable in such offering, including the right to receive additional shares of common stock) to the market price of the common stock at the time of the offering in excess of 35%, until the Convertible Debentures have been repaid in full.

Pursuant to the SPA, we are required to provide the Investor the right of first refusal to invest in any financing transaction pursuant to which the Company proposes to issue and sell any securities of the Company, including any debt, equity or equity-linked securities that are convertible into, exchangeable or exercisable for, or include the right to receive common stock, or the issuance of any notes, debentures, or other forms of indebtedness, for a period of 12 months following the date of the SPA.

Registration Rights Agreement

In connection with the entry into the SPA, the Company entered into a Registration Rights Agreement with the Investor (the "Registration Rights Agreement") pursuant to which the Company is required to file a registration statement registering the resale by the Investor of 1,800,000 shares of common stock issued or to be issued upon conversion of the Initial Convertible Debenture under the Securities Act, and upon conversion of the Second Convertible Debenture and Third Convertible Debenture. Pursuant to the Registration Rights Agreement, the Company is required to meet certain obligations with respect to, among other things, the timeliness of the filing and effectiveness of registration statements.

The Company is required to file a registration statement related to the shares issuable upon conversion of the Initial Convertible Debenture (the "Initial Registration Statement") no later than August 23, 2024 in the event the SEC does not review the Definitive Proxy Statement, and October 7, 2024 in the event the SEC reviews the Definitive Proxy Statement, and obtain effectiveness thereof by the earlier of (A) the 60th calendar day following the filing date thereof (the "Filing Deadline") and (B) the fifth business day after the date the Company is notified (orally or in writing, whichever is earlier) by the SEC that such Registration Statement will not be reviewed or will not be subject to further review.

We were not able to meet the filing deadline for the Initial Registration Statement and have not filed the Initial Registration Statement to date. As a result, an event of default has occurred under the Convertible Debenture; however, the Investor has not yet provided us notice of the acceleration of amounts due thereunder. At any time, until we cure such default, the Investor can provide us notice that the full unpaid principal amount of the outstanding Convertible Debenture, together with interest and other amounts owing in respect thereof, is immediately due and payable in cash. We do not currently have sufficient cash on hand to pay amounts due under the Convertible Debenture and if such amount was immediately due and payable we would need to raise additional funding through the sale of debt or equity, which funding may not be available on favorable terms, if at all, and/or sell assets, and may be forced to seek bankruptcy protection, which could cause the securities of the Company to become worthless.

The Registration Rights Agreement includes certain other piggyback and demand registration rights, obligations of the Company and the Investor, and indemnification obligations of the parties, each as described in greater detail therein.

Global Guaranty Agreement

In connection with the entry into the SPA and the issuance of the Initial Convertible Debenture, Kidpik Merger Sub, Inc., a wholly owned subsidiary of the Company ("Merger Sub"), entered into a Global Guaranty Agreement with the Investor (the "Guaranty"), pursuant to which Merger Sub agreed to guaranty all of the Company's obligations under the SPA and Convertible Debentures.

Loan and Finance Agreements

On or around February 2, 2024, the Company entered into a Merchant Loan Agreement (the "Loan Agreement") with WebBank, whereby the Company borrowed $240,000 from WebBank and incurred financing costs of $31,200. Pursuant to the Loan Agreement, the repayment rate is 17% of daily sales and the term of the loan is eighteen months. A total of $271,000 is due to WebBank pursuant to the terms of the agreement. The Company provided WebBank a security interest in its assets, other than real estate, to secure the repayment of the Loan Agreement. The Loan Agreement includes customary events of default and covenants of the Company for a transaction of the size and type as the Loan Agreement. We agreed to pay 30% of the amount owed during the first six months of the agreement, and 30% of the amount owed during the following six months, and to pay 17% of the daily payment due to the Company from the Company's Shopify Account Credits.

On or around May 9, 2024, the Company entered into a Commercial Insurance Premium Finance and Security Agreement (the "Insurance Premium Finance Agreement") with Aon Premium Finance, LLC ("APF"), whereby the Company paid APF $17,263 and financed $180,737, with monthly payments due of $17,263, based on an annual interest rate of 9.99%, in connection with amounts due under the Company's officer and director insurance policy. The Company provided APF a security interest in the Company's director and officer insurance policy including among other things any unearned premiums. The amount financed is due in 11 monthly installments of $17,263 each.

Need for Future Funding, Review of Strategic Alternatives

As discussed above, we are not currently purchasing any new products as we work to sell our current inventory. 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, including from the expected sale of the Second Convertible Debenture and Third Convertible Debenture, as discussed above. Future financing options which may be available to the Company in addition to the convertible notes, 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, and borrowings from related parties, including Ezra Dabah, our Chief Executive Officer and Nina Footwear. 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 financial statements are issued. The accompanying 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.

We plan to focus our resources on closing the Merger, discussed above under "Recent Events", "Merger Agreement", which we expect will strengthen our balance sheet and allow the Company to meet the Nasdaq Equity Rule requirements, upon closing.

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 estimates are described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" in the 2023 Annual Report and in "Note 2: Summary of Significant Accounting Policies" to the audited financial statements appearing in the 2023 Annual Report. During the 13 weeks and 39 weeks ended September 28, 2024, there were no material changes to our critical accounting policies from those discussed in our 2023 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 28, 2024, 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.

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 28, 2024 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 2023 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 2023 Annual Report, except as set forth below. You should carefully consider such factors in the 2023 Annual Report, and below, which could materially affect our business, financial condition or future results.

The risks described in the 2023 Annual Report 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 $55,399,032 and $51,440,227 as of September 28, 2024, and December 30, 2023, respectively. For the 13 weeks ended September 28, 2024, and September 30, 2023, we incurred net losses of $887,944 and $1,925,951, respectively. For the 39 weeks ended September 28, 2024, and September 30, 2023, we incurred net losses of $3,958,805 and $5,905,688, respectively. On September 28, 2024, we had $3,205 of cash on hand (excluding restricted cash of $4,618), $4,165,074 in total current assets, $7,009,066 in total current liabilities, and a working capital deficit of $2,843,992. 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 has stopped purchasing 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 (similar to the $500,000 of Convertible Debentures which we have sold and the $1.5 million of additional Convertible Debentures we have agreed to sell for $1.35 million, upon the satisfaction of certain conditions, as discussed in further detail under "Management's Discussion and Analysis of Financial Condition and Results of Operations") or other capital sources, including collaborations with other companies or other strategic transactions to fund existing operations and execute management's growth strategy, and borrowings from related parties, including Ezra Dabah, our Chief Executive Officer and Nina Footwear. 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.

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 have the ability to take advantage of and currently take advantage of), to comply with certain audit committee requirements, and to maintain a stock price over $1.00 per share, which we have not maintained from time to time in the past.

On April 16, 2024, the Company received a letter from The Nasdaq Stock Market LLC ("Nasdaq") notifying the Company that its stockholders' equity as reported in its Annual Report on Form 10-K for the period ending December 30, 2023 (the "Form 10-K"), did not meet the minimum stockholders' equity requirement for continued listing on the Nasdaq Capital Market. Nasdaq Listing Rule 5550(b)(1) requires companies listed on the Nasdaq Capital Market to maintain stockholders' equity of at least $2,500,000 (the "Equity Rule").

Nasdaq gave the Company until May 31, 2024 to submit to Nasdaq a plan to regain compliance, which plan was timely submitted. The plan discussed our expectation to regain compliance with the Equity Rule upon the closing of the Merger. At the time of the filing of the plan of compliance, the Company also advised Nasdaq that it was the Company's expectation to regain compliance with the Equity Rule by October 14, 2024 (180 days after the date from the original deficiency notification, which is the maximum amount of time the Staff can provide, in its discretion, for an issuer to regain compliance with the Equity Rule).

Due to unforeseen delays in completing the required Nina Footwear financial statements and pro forma information, we were unfortunately delayed in filing the required proxy statement necessary to seek stockholder approval for the issuance of common stock in connection with the Merger, and therefore have been delayed in completing the Merger.

As a result, on October 2, 2024, the Company received a delist determination letter from the Staff advising the Company that as a result of our failure to file the proxy statement, and because Nasdaq has determined that it would not be possible for the Merger to close before October 14, 2024, the Staff has determined that the Company did not provide a definitive plan evidencing its ability to achieve compliance with the continued listing requirements and to deny the Company's request for continued listing on The Nasdaq Capital Market.

The Company submitted a hearing request to the Nasdaq Hearings Panel (the "Panel"), which request stayed any delisting action by the Staff at least until the hearing process concludes and any extension granted by the Panel expires.

At the Panel hearing, the Company intends to present a plan to regain compliance with the minimum stockholders' equity requirement, which is expected to be based around the closing of the planned Merger. In the interim, the Company's common stock will continue to trade on Nasdaq under the symbol "PIK" at least pending the ultimate conclusion of the hearing process.

There can be no assurance that the Company's plan will be accepted by the Panel or that, if it is, the Company will be able to regain compliance with the applicable Nasdaq listing requirements. If the Company's common stock is delisted, it could be more difficult to buy or sell the Company's common stock or to obtain accurate quotations, and the price of the Company's common stock could suffer a material decline. Delisting could also impair the Company's ability to raise capital and/or trigger defaults and penalties under outstanding agreements or securities of the Company.

The Company remains committed to completing the Merger. However, there can be no assurance that the Company will be able to timely file such definitive proxy statement, and/or that the Company will be able to complete the transactions necessary to regain compliance with the Equity Rule, including the Merger.

Even if we demonstrate compliance with the requirements of Nasdaq, we will have to continue to meet other objective and subjective listing requirements to continue to be listed on The Nasdaq Capital Market. Delisting from The Nasdaq Capital Market could make trading our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. Without a Nasdaq Capital Market listing, stockholders may have a difficult time getting a quote for the sale or purchase of our common stock, the sale or purchase of our common stock would likely be made more difficult, and the trading volume and liquidity of our common stock could decline. Delisting from The Nasdaq Capital Market could also result in negative publicity and could also make it more difficult for us to raise additional capital. The absence of such a listing 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 OTC Pink market, where an investor may find it more difficult to sell our common stock or obtain accurate quotations as to the market value of our common. In the event our common stock is delisted from The Nasdaq Capital Market, we may not be able to list our common stock on another national securities exchange or obtain quotation on an over-the counter quotation system.

Risks Related to the Transactions Contemplated by the Merger Agreement

The number of shares of common stock issuable pursuant to the Merger Agreement will cause significant dilution to existing stockholders.

Pursuant to the Merger Agreement, upon the Closing of the Merger, the stockholders of Nina Footwear are expected to collectively own approximately 80% of the Company's then outstanding shares of common stock. As a result, the total shares of common stock issuable upon closing of the Merger Agreement (will cause significant dilution to existing stockholders. Additionally, the Nina Footwear stockholders will be issued an increased number of shares of common stock of the Company as the outstanding shares of common stock of the Company increases prior to Closing. Specifically, for each one share of common stock of the Company issued prior to Closing, the Nina Footwear stockholders will be issued four additional shares of common stock. As a result, if the Company issues any equity compensation, sells any shares in any offerings, or otherwise issues any shares of common stock prior to Closing, the Nina Footwear stockholders will receive additional shares of common stock (compared to the number of shares of common stock due as of the date of this Report), so that they will retain their 80% post-Closing ownership of the Company. Such additional issuances will in turn cause significant dilution to the stockholders of the Company.

The number of shares of common stock that will be issuable in the Merger Agreement are not adjustable based on the market price of the Company's common stock, so the shares issued at the closing may have a greater or lesser value than the market price at the time the Merger Agreement was signed.

The number of shares of common stock issuable at the closing of the Merger Agreement is not fixed but is also not based on the trading price of the Company's common stock. If the Company issues any shares of common stock prior to the closing of the Merger the number of shares of common stock issuable to the Nina Stockholders pursuant to the Merger will increase proportionally such that at Closing of the Merger the Nina Stockholders will hold 80% of the Company's, then outstanding shares of common stock. However, any changes in the market price of the Company's common stock before the closing will not affect the number of shares the Nina Stockholders will be entitled to receive pursuant to the Merger Agreement. Therefore, if before the closing, the market price of the Company's common stock declines from the market price on the date of the Merger, then the Nina Stockholders could receive consideration with a substantially lower value. Similarly, if before the completion of the Merger, the market price of the Company's common stock increases from the market price on the date of the Merger Agreement, then the Nina Stockholders could receive consideration with substantially more value for their shares of Nina Footwear than was the case upon the parties' initial entry into the Merger Agreement, on which the last trading day prior to such date, the Company's common stock closed at $4.57 per share. The Merger Agreement does not include a price-based termination right.

The Company's stockholders will have a reduced ownership and voting interest in, and will exercise less influence over the management of, the combined company following the completion of the Merger.

Pursuant to the Merger, following the closing of the Merger, the Nina Stockholders are expected to collectively own 80% of the Company's then outstanding shares of common stock, with the Company's current stockholders holding 20% of the Company's then outstanding shares of common stock. Mr. Dabah and his children own approximately 79.3 % of Nina Footwear, and Mr. Dabah and his extended family own 100% of Nina Footwear, and Moshe Dabah (Mr. Dabah's son) is the Vice President, Chief Operating Officer and Chief Technology Officer of the Company, and the Secretary of Nina Footwear. Mr. Dabah and his family will continue to control approximately 75% of the combined company's voting shares following the closing of the Merger. Consequently, the Company's stockholders will be able to exercise less influence over the management and policies of the combined company than they currently exercise over the management and policies of the Company, and Mr. Dabah's beneficial ownership of the Company, and therefore control over the Company, will increase significantly as a result of the Merger.

The consummation of the Merger will increase the voting rights of Ezra Dabah, our Chief Executive Officer and Director.

Due to the significant number of shares issuable at the closing of the Merger, the percentage ownership of Mr. Ezra Dabah will increase his beneficial ownership in the Company from 59.4% as of the date of this Report, to approximately 75.3% as of the closing date of the Merger, and Mr. Dabah will exercise control in determining the outcome of all corporate transactions or other matters, including the election and removal of directors, mergers, consolidations, the sale of all or substantially all of our assets, and also the power to prevent or cause a further change in control.

Any investors who purchase shares or hold shares will be minority stockholders and as such will have little to no say in the direction of the Company and the election of directors. Additionally, it will be difficult for investors to remove the directors appointed by Mr. Dabah, which will mean they will remain in control of who serves as officers of the Company as well as whether any changes are made in the board. An owner of the Company's securities should keep in mind that their shares, and their voting of such shares, will likely have little effect on the outcome of corporate decisions.

The Merger Agreement contains provisions that may discourage other companies from trying to combine with us on more favorable terms while the Merger is pending.

The Merger Agreement contains provisions that may discourage a third party from submitting a business combination proposal to us that might result in greater value to our stockholders than the Merger. These provisions include a general prohibition on us from soliciting, or, subject to certain exceptions, entering into discussions with any third party regarding any acquisition proposal or offers for competing transactions.

Failure to complete the acquisition of Nina Footwear could negatively impact our stock price and future business and financial results.

If the acquisition of Nina Footwear is not completed, our ongoing business may be adversely affected and we would be subject to a number of risks, including the following:

- we will not realize the benefits expected from the acquisition of Nina Footwear, including a potentially enhanced competitive and financial position, expansion of assets and operations, and economies of scale, and therefore opportunities, and will instead be subject to all the risks we currently face as an independent company;
- we may experience negative reactions from the financial markets and our partners and employees;
- the Merger Agreement places certain restrictions on the conduct of our business prior to the completion of the acquisition of Nina Footwear or the termination of the Merger Agreement. Such restrictions, the waiver of which is subject to the consent of the counterparties to such agreement, may prevent us from making certain acquisitions, taking certain other specified actions or otherwise pursuing business opportunities during the pendency of the Merger Agreement;
- matters relating to the acquisition of Nina Footwear (including integration planning, negotiation of the merger agreement and ancillary agreements, required proxy statements and other disclosures) may require substantial commitments of time and resources by our management, which would otherwise have been devoted to other opportunities that may have been beneficial to us; and
- we may be unable to comply with the Equity Rule, resulting in our common stock being delisted from the Nasdaq Capital Market.

We will be subject to business uncertainties and contractual restrictions while the acquisition of Nina Footwear is pending.

Uncertainty about the effect of the acquisition of Nina Footwear on employees and partners may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel until the acquisition of Nina Footwear is completed, and could cause partners and others that deal with us to seek to change existing business relationships, cease doing business with us or cause potential new partners to delay doing business with us until the acquisition of Nina Footwear has been successfully completed or terminated. In addition, the acquisition of Nina Footwear restricts us from making certain acquisitions and taking other specified actions until the acquisition of Nina Footwear is completed without certain consents and approvals. These restrictions may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the acquisition of Nina Footwear or the termination of the Merger Agreement.

The Merger Agreement may be terminated in accordance with its terms and the acquisition of Nina Footwear may not be completed.

The Merger Agreement is subject to several conditions that must be fulfilled in order to complete the acquisition of Nina Footwear and contains certain termination rights, including: (i) the right of either party to terminate the Merger Agreement if (1) the Merger is not consummated by December 31, 2024, subject to certain extension rights, provided that the parties to the Merger are currently in discussions regarding an extension of such date to March 31, 2025, (2) if Kidpik's stockholders fail to adopt and approve the issuance of the Merger shares pursuant to Nasdaq Listing Rule 5635(a), or (3) the other party breaches any representation, warranty, covenant or agreement set forth in the Merger Agreement, the result of which prohibits certain conditions of Closing from occurring; (ii) the right of Kidpik to terminate the Merger Agreement (1) if Nina Footwear's stockholders fail to adopt and approve the Merger, (2) if the Nina Footwear's board of directors changes or withdraws its recommendation in favor of the Merger or recommends to enter into an alternative transaction and (3) if certain financial statements have not been provided by Nina Footwear to Kidpik in accordance with the terms of the Merger Agreement; and (iii) the right of Nina Footwear to terminate the Merger Agreement if the Kidpik board of directors changes or withdraws its recommendation in favor of the Merger or recommends the entry into an alternative transaction. The required conditions to closing may not be fulfilled and/or the Merger Agreement may be terminated pursuant to its terms and accordingly, the acquisition of Nina Footwear may not be completed.

Failure to complete the Merger could negatively impact the Company's stock price and future business and financial results.

If the Merger is not completed, the Company will be subject to several risks, including the following:

- the Company may experience negative reactions from suppliers, vendors, landlords, joint venture partners and other business partners;
- certain amounts for which the Company may be liable under the terms and conditions of the Merger Agreement, including a break-fee of $100,000, plus the required reimbursement of legal expenses of up to $62,500;
- payment for certain costs relating to the Merger, whether or not the Merger is completed, such as legal, accounting, financial advisor and printing fees;
- payment of interest due as a result of any financing required to fund the Merger, and repayment of any loans incurred in raising capital to fund costs incurred in connection with the Merger;
- certain costs relating to the Merger, whether or not the Merger is completed, such as legal, accounting, financial advisor and printing fees;
- negative reactions from the financial markets, including declines in the price of the Company's stock due to the fact that current prices may reflect a market assumption that the Merger will be completed;
- diverted attention of Company management to the Merger rather than to the Company's operations and pursuit of other opportunities that could have been beneficial to it;
- litigation related to any failure to complete the Merger or related to any enforcement proceeding commenced against the Company to perform its obligations pursuant to the Merger Agreement; and
- we may be unable to comply with the Equity Rule, resulting in our common stock being delisted from the Nasdaq Capital Market.

If the Merger is not completed, the risks described above may materialize and they may have a material adverse effect on the Company's results of operations, cash flows, financial position and stock price.

The Company's stockholders may not realize a benefit from the Merger commensurate with the ownership dilution they will experience in connection with the Merger.

If the Company is unable to realize the full strategic and financial benefits anticipated from the Merger, the Company's stockholders will have experienced substantial dilution of their ownership interests without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the Purchase.

The Company may fail to realize the anticipated benefits of the Merger.

The success of the Merger will depend on, among other things, the Company's ability to combine the Company and Nina Footwear in a manner that realizes the various benefits, growth opportunities and synergies identified by combining the Company's operations with those of Nina Footwear. Achieving the anticipated benefits of the Merger is subject to a number of risks and uncertainties. It is uncertain whether the Company and Nina Footwear can be integrated in an efficient and effective manner.

In addition, the integration of the operations of the Company and Nina Footwear following the Merger will require the attention of the Company's management and other personnel, which may distract their attention from the Company's day-to-day business and operations and prevent the Company from realizing benefits from other opportunities. Completing the integration process may be more expensive than anticipated, and the Company may be unable to affect the integration of these operations smoothly or efficiently or that the anticipated benefits of the Merger will be achieved.

Risks Related to Our Common Stock

We may not sell additional Convertible Debentures and as such may not receive the $1.35 million payable by the Investor upon the sale of the additional Convertible Debentures. The $500,000 Convertible Debenture is currently in default.

On May 31, 2024, the Company entered into the SPA with the Investor, pursuant to which the Company sold Convertible Debentures for $450,000, with a face amount of $500,000. Upon the filing of a Definitive Proxy Statement with the SEC to seek stockholder approval for, among other things, the pending merger with Nina Footwear Corp., and subject to certain other conditions, the Investor agreed to purchase an additional $500,000 of Convertible Debentures for $450,000, and on or about the date the Initial Registration Statement becomes effective and the approval of its stockholders as required by the applicable rules of the Nasdaq Capital Market for issuances of shares in excess of the Exchange Cap, the Investor has agreed to purchase an additional $1,000,000 in Convertible Debentures for $900,000.

We were not able to meet the filing deadline for the Initial Registration Statement and have not filed the Initial Registration Statement to date. As a result, an event of default has occurred under the initial Convertible Debenture; however, the Investor has not yet provided us notice of the acceleration of amounts due thereunder. At any time, until we cure such default, the Investor can provide us notice that the full unpaid principal amount of the outstanding Convertible Debenture, together with interest and other amounts owing in respect thereof, is immediately due and payable in cash. We do not currently have sufficient cash on hand to pay amounts due under the Convertible Debenture and if such amount was immediately due and payable we would need to raise additional funding through the sale of debt or equity, which funding may not be available on favorable terms, if at all, and/or sell assets, and may be forced to seek bankruptcy protection, which could cause the securities of the Company to become worthless.

We may not satisfy the conditions to the sale of the additional Convertible Debentures, and/or the Investor may not purchase such additional Convertible Debentures if we remain in default of the initial Convertible Debenture, and we may not receive the additional $1.35 million payable by the Investor for such additional Convertible Debentures. As a result, we may need to obtain funding from alternative sources, which may not be available on as favorable terms, if at all. The lack of funding may negatively affect our ability to pay debts and expenses as they become due, force us to scale back our business plan, prevent us from completing the Merger, or potentially force us to seek bankruptcy protection.

The issuance of common stock upon conversion of the Convertible Debentures will cause immediate and substantial dilution to existing shareholders.

Assuming the Stockholder Approval Requirement is met, holders of Convertible Debentures may, at their option, convert any portion of the outstanding and unpaid principal amount of the Convertible Debentures, together with accrued but unpaid interest, into shares of common stock of the Company based on a conversion price of the lower of (i) $3.3229 per share of common stock (Floor Price), or (ii) 91% of the lowest daily volume weighted average trading prices (VWAP) for the common stock during the seven consecutive trading days immediately preceding the conversion date or other date of determination (Market Price), but which Market Price shall not be lower than the Floor Price.

Notwithstanding the above, on the closing of the last trading day immediately prior to the effective date of the Initial Registration Statement filed by the Company to register the resale of the Conversion Shares (Fixed Price Reset Date), the Fixed Price is adjusted (downwards only) to equal the closing price as of the Fixed Price Reset Date. Floor Price is currently $0.6580 per share provided; however, the Company may reduce the Floor Price to any amounts set forth in a written notice to the holder, provided that such reduction shall be irrevocable and shall not be subject to increase thereafter. If the Company, at any time while the Convertible Debentures are outstanding, issues or sells any shares of common stock or convertible securities for consideration per share less than a price equal to the Fixed Price in effect immediately prior to such issue or sale, then immediately after such Dilutive Issuance, the Fixed Price then in effect shall be reduced to an amount equal to the New Issuance Price, provided however, the issuance of any certain Excluded Securities (defined in the Convertible Debentures) shall not be considered a Dilutive Issuance. Until the Stockholder Approval Requirement is met, the Convertible Debentures may not be converted into more than 390,132 total shares of common stock.

The issuance of common stock upon conversion of the Convertible Debentures will result in immediate and substantial dilution to the interests of other stockholders since the holders of the Convertible Debentures may ultimately receive and sell the full amount of shares issuable in connection with the conversion of such Convertible Debentures. Although the Convertible Debentures may not be converted by the holders thereof if such conversion would cause such holder to own more than 4.99% of our outstanding common stock (which may be increased with at least 65 days prior written notice), these restrictions do not prevent such holders from converting some of their holdings, selling those shares, and then converting the rest of their holdings, while still staying below the 4.99% limit. In this way, the holders of the Convertible Debentures could sell more than these limits while never actually holding more shares than the limits allow. If the holders of the Convertible Debentures choose to do this, it will cause substantial dilution to the then holders of our common stock.

The availability of shares of common stock upon conversion of the Convertible Debentures for public resale, as well as any actual resales of these shares, could adversely affect the trading price of our common stock. We cannot predict the size of future issuances of our common stock upon the conversion of our Convertible Debentures, or the effect, if any, that future issuances and sales of shares of our common stock may have on the market price of our common stock. Sales or distributions of substantial amounts of our common stock upon the conversion of our Convertible Debentures, or the perception that such sales could occur, may cause the market price of our common stock to decline.

In addition, the common stock issuable upon the conversion of our Convertible Debentures may represent overhang that may also adversely affect the market price of our common stock. Overhang occurs when there is a greater supply of a company's stock in the market than there is demand for that stock. When this happens the price of our stock will decrease, and any additional shares which stockholders attempt to sell in the market will only further decrease the share price. If the share volume of our common stock cannot absorb shares sold by holders of the Convertible Debentures, then the value of our common stock will likely decrease.

We are required to file a registration statement to permit the public resale of the shares of common stock that may be issued upon the conversion of the Convertible Debentures, provided that we are currently in default of such obligation. The influx of those shares into the public market could potentially have a negative effect on the trading price of our common stock.

We are required to make amortization payments of the amounts owed under the Convertible Debentures upon the occurrence of certain events, including the occurrence of an event of default, which has occurred to date, and we may not have sufficient cash to make such payments, if required.

If, any time after the issuance date, an Amortization Event occurs, then the Company is required to make monthly payments to holders of the Convertible Debentures, beginning on the 10th trading day after the date the Amortization Event occurs and continuing on the same day of each successive calendar month in an amount equal to the sum of (i) $400,000 of principal (in the aggregate among all Convertible Debentures), or the outstanding principal, if less than such amount, plus (ii) a prepayment premium of 8% of any amounts paid, and (iii) accrued and unpaid interest as of each payment date.

The obligation of the Company to make monthly prepayments related to an Amortization Event shall cease (with respect to any payment that has not yet come due) if any time after the occurrence of an Amortization Event (A) in the event of a Floor Price Event, either (i) on the date that is the 5th consecutive trading day that the daily volume weighted average price (VWAP) is greater than 110% of the Floor Price then in effect, or (ii) prior to the due date of a monthly payment, the Company has delivered a valid Reduction Notice and such reduced Floor Price does not exceed 50% of the market price at the time of such Reduction Notice; or (B) in the event of an Exchange Cap Event, the date the Company has obtained Stockholder Approval to increase the number of shares of common stock under the Exchange Cap and/or the Exchange Cap no longer applies, or (C) in the event of a Registration Event (defined in the Registration Rights Agreement discussed below), the condition or event causing the Registration Event has been cured or the holder is able to resell the shares of common stock issuable upon conversion of the Convertible Debentures in accordance with Rule 144 under the Securities Act, unless a subsequent Amortization Event occurs.

Amortization Events include if (i) the daily VWAP is less than the Floor Price then in effect for five trading days during a period of seven consecutive Trading Days, (ii) unless the Company has obtained the approval from its stockholders in accordance with the rules of the Nasdaq Capital Market for the shares of common stock issuable upon conversion of the Convertible Debentures in excess of the Exchange Cap, the Company has issued in excess of 99% of 390,132 shares of common prior to receiving stockholder approval for the issuance of the Conversion Shares, or (iii) default of the registration rights agreement entered into in connection with the Convertible Debentures, has occurred under certain circumstances.

The Company is required to file a registration statement related to the shares issuable upon conversion of $500,000 of the Convertible Debentures no later than August 23, 2024 in the event the SEC does not review the Proxy Statement, and October 7, 2024 in the event the SEC reviews this Proxy Statement, and obtain effectiveness thereof by the earlier of (A) the 60th calendar day following the filing date thereof and (B) the fifth business day after the date the Company is notified (orally or in writing, whichever is earlier) by the SEC that such Registration Statement will not be reviewed or will not be subject to further review.

We were not able to meet the filing deadline for the Initial Registration Statement and have not filed the Initial Registration Statement to date. As a result, an event of default has occurred under the Convertible Debenture; however, the Investor has not yet provided us notice of the acceleration of amounts due thereunder. At any time, until we cure such default, the Investor can provide us notice that the full unpaid principal amount of the outstanding Convertible Debenture, together with interest and other amounts owing in respect thereof, is immediately due and payable in cash. We do not currently have sufficient cash on hand to pay amounts due under the Convertible Debenture and if such amount was immediately due and payable we would need to raise additional funding through the sale of debt or equity, which funding may not be available on favorable terms, if at all, and/or sell assets, and may be forced to seek bankruptcy protection, which could cause the securities of the Company to become worthless.

We may not have cash available to pay the required amortization payments. The failure to timely file (which has occurred to date), or obtain effectiveness of, or maintain the effectiveness of, the required registration statement, will trigger the requirement that we make amortization payments upon the request of the Investor, and will reduce the conversion price of the Convertible Debentures, which will cause significant dilution to existing stockholders. The occurrence of an Amortization Event may force us to raise additional funding, which funding may not be available on favorable terms, if at all, may result in the Convertible Debentures being in default and the holders thereof having the right to require the immediate repayment of such Convertible Debentures, plus penalties, may force us to sell assets, curtail our operations, may prevent us from completing the Merger or delay the Merger, and could force us to seek bankruptcy protection.

The Convertible Debentures include anti-dilution and reset rights.

We currently have $500,000 of Convertible Debentures outstanding, and as discussed below, have agreed to sell up to an additional $1,500,000 of Convertible Debentures upon the satisfaction of certain conditions. The Convertible Debentures currently have a conversion Floor Price of $0.6580 per share. If the Company, at any time while the Convertible Debentures are outstanding, issues or sells any shares of common stock or convertible securities, for consideration per share less than a price equal to the Fixed Price in effect immediately prior to such issue or sale, then immediately after such Dilutive Issuance the Fixed Price then in effect is reduced to an amount equal to the New Issuance Price, provided however, the issuance of any certain Excluded Securities (defined in the Convertible Debentures) shall not be considered a Dilutive Issuance. The reduction of the Floor Price of the Convertible Debentures in the event that we offer, sell, grant or issue, or are deemed to have offered, sold, granted or issued shares of common stock below the then Floor Price of the Convertible Debentures, could result in the Company receiving significantly less consideration upon the conversion of the Convertible Debentures (or in some cases only nominal consideration), will result in greater dilution to existing stockholders upon the conversion of the Convertible Debentures, and/or may create additional overhang for our common stock. Any or all of the above could have a material adverse effect on the trading price of our common stock.

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 28, 2024 and from the period from September 29, 2024 to the filing date of this Report, which have not previously been reported in a Current Report on Form 8-K.

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.

(c) Rule 10b5-1 Trading Plans.

Our directors and executive officers may from time to time enter into plans or other arrangements for the purchase or sale of our shares that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or may represent a non-Rule 10b5-1 trading arrangement under the Exchange Act. During the 13 weeks ended September 28, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f)) adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement".

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	
2.1#£	Agreement and Plan of Merger and Reorganization, dated March 29, 2024, by and among Kidpik Corp., Kidpik Merger Sub, Inc. and Nina Footwear Corp.	8-K	001-41032	4/1/2024	2.1	
2.2	First Amendment to Agreement and Plan of Merger and Reorganization, dated July 2024, by and among Kidpik Corp., Kidpik Merger Sub, Inc. and Nina Footwear Corp.	8-K	001-41032	7/26/2024	2.2	
3.1	Certificate of Amendment of Second Amended and Restated Certificate of Incorporation of Kidpik Corp., filed with the Secretary of State of Delaware on March 4, 2024	8-K	001-41032	3/7/2024	3.1	
4.1	Kidpik Corp. $500,000 Convertible Debenture dated May 31, 2024	8-K	001-41032	6/5/2024	4.1	
10.1#	Securities Purchase Agreement dated May 31, 2024, by and among Kidpik Corp. and EF Hutton YA Fund, LP	8-K	001-41032	6/5/2024	10.1	
10.2	Registration Rights Agreement dated May 31, 2024, by and among Kidpik Corp. and EF Hutton YA Fund, LP	8-K	001-41032	6/5/2024	10.2	
10.3	Global Guaranty Agreement dated May 31, 2024, by and among Kidpik Corp. and EF Hutton YA Fund, LP	8-K	001-41032	6/5/2024	10.3	
10.4	Voting Agreement effective September 3, 2024, by and among Ezra Dabah, and each of Eva Yagoda, Joia Kazam, Moshe Dabah, Chana Rapaport, Yaacov Dabah, the u/a/d 02/02/1997, Trust FBO Eva Dabah; the u/a/d 02/02/1997, Trust FBO Joia Kazam; the u/a/d 02/02/1997, Trust FBO Moshe Dabah; the u/a/d 02/02/1997, Trust FBO Chana Dabah; and the u/a/d 02/02/1997, Trust FBO Yaacov Dabah	8-K	001-41032	9/9/2024	10.1	
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.

Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2)(ii) of Regulation S-K. A copy of any omitted schedule or Exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that Kidpik Corp. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

£ Certain personal information which would constitute an unwarranted invasion of personal privacy has been redacted from this exhibit pursuant to Item 601(a)(6) of Regulation S-K.

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, 2024

By: */s/ Ezra Dabah*
Ezra Dabah
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2024

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