Risk Factors Comparison 2023-04-25 to 2022-04-26 Form: 10-K

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The following is a summary of the principal factors that create risk in investing in our securities: Risks Related to Our Business and Operations Risks related to: • ~~various operating factors and~~ general economic conditions affecting the food and drug retail industry ~~that may adversely affect our business~~ and **various** operating ~~results~~ **factors** ; • ~~impact of the~~ **strains related to** COVID- 19 **or future** ~~pandemic~~ **pandemics** ; • ~~prices and~~ availability of energy ~~and fuel~~ to manufacture, store, transport and sell products; • **failure** ~~being unable to enter into strategic transactions, investments or partnerships in the future on terms acceptable to us, or at all; • failing~~ to realize anticipated benefits from our productivity initiatives; and • impact of environmental, social and governance matters, including **inability to meet** goals and commitments established in relation to such matters **. Risks Related to the Merger • the Merger Agreement and the pendency of the Merger; • the ability to complete the Merger; • restrictions on our business activities while the Merger Agreement is in effect; • litigation related to the Merger; and • significant delay or the failure to complete the Merger** . Risks Related to Our Industry • intensity of the competition in our industry; • our ability to timely identify or effectively respond to consumer trends; • consolidation in the healthcare industry; and • the adequacy of our insurance to cover any claims against us. Risks Related to Our Supply Chain • product and raw material supply disruptions, especially those to fresh products, including from severe weather, natural disasters and climate changes; • threats or potential threats to security of food and drug safety, including the occurrence of a widespread health epidemic and / or pandemic, and loss of confidence in the supply chain; and • **availability and** ~~increases~~ **increased** ~~in~~ **prices of** fuel or ~~commodity~~ **commodities** ~~prices~~ . Risks Related to Our Workforce • our relationship with unions, including labor disputes or work stoppages, and increased pension expenses, contributions and surcharges; • increases to the minimum wage **and changes to wage regulations** ; and • the failure to attract and retain qualified associates ~~and key personnel~~ . Legal and Regulatory Risks • unfavorable changes in government regulation and environmental laws; • unfavorable changes in the tax code; • legal or other proceedings ~~that could have a material adverse effect on us~~ ; and • our use of insurance and self- insurance to address potential liabilities. Risks Related to Information Security, Cybersecurity and Data Privacy • our dependence on IT systems; and • improper activities by third parties and the loss of confidence from a data security incident involving our customers ~~or~~ **,** employees **or vendors** . Risks Related to Our Indebtedness • our level of indebtedness and our ability to generate cash; • our debt instruments limiting our flexibility in operating our business; • increases in interest rates **,** ~~and / or~~ a downgrade of our credit ratings **and / or instability in the credit market** ; and • liability under certain operating leases that were assigned to third parties. Risks Related to Owning Our Common Stock • the volatility of the price of our common stock and the possibility of a decline regardless of our operating performance; • our **largest stockholder** ~~being controlled by our Sponsors (as defined below) who~~ may have conflicts of interest with other stockholders in the future ~~; • our status as a" controlled company" within the meaning of New York Stock Exchange (" NYSE") rules~~ ; • provisions in our charter documents and certain other agreements that could delay or prevent a change of control; • the limit on our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees; • our ability to pay dividends to our stockholders; and • ~~our Convertible Preferred Stock (as defined below) adversely affecting~~ the **dilution to** ~~market price of~~ our **stockholders by the future issuance of additional** common stock ~~and the rights of~~ **in connection with our equity incentive plans, acquisitions** ~~our~~ - **or** ~~stockholders~~ **otherwise** . See" Part I — Item 1A. Risk Factors" for a more complete discussion of the material risks facing our business. NON- GAAP FINANCIAL MEASURES We define EBITDA as generally accepted accounting principles (" GAAP") earnings (net loss) before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as earnings (net loss) before interest, income taxes, depreciation and amortization, further adjusted to eliminate the effects of items management does not consider in assessing our ongoing core performance. We define Adjusted net income as GAAP net income adjusted to eliminate the effects of items management does not consider in assessing our ongoing core performance. We define Adjusted net income per Class A common share as Adjusted net income divided by the weighted average diluted Class A common shares outstanding, as adjusted to reflect all restricted stock units and awards outstanding **for** ~~at the end of~~ the period, as well as the conversion of Convertible Preferred Stock when it is antidilutive for GAAP. ~~We define Net debt as total debt (which includes finance lease obligations and is net of deferred financing costs and original issue discount) minus unrestricted cash and cash equivalents and we define Net debt ratio as the ratio of Net debt to Adjusted EBITDA for the rolling 52 or 53 week period.~~ See" Part II — Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations" for further discussion and a reconciliation of Adjusted EBITDA, Adjusted net income and Adjusted net income per Class A common share. EBITDA, Adjusted EBITDA, Adjusted net income ~~,~~ **and** Adjusted net income per Class A common share ~~and Net debt ratio~~ (collectively, the" Non- GAAP Measures") are performance measures that provide supplemental information we believe is useful to analysts and investors to evaluate our ongoing results of operations, when considered alongside other GAAP measures such as net income, operating income, gross margin and net income per Class A common share. These Non- GAAP Measures exclude the financial impact of items management does not consider in assessing our ongoing core operating performance, and thereby provide useful measures to analysts and investors of our operating performance on a period- to- period basis. Other companies may have different definitions of Non- GAAP Measures and provide for different adjustments, and comparability to our results of operations may be impacted by such differences. We also use Adjusted EBITDA ~~and Net debt ratio~~ for board of director and bank compliance reporting. Our presentation of Non- GAAP Measures should not be construed as an inference that our future results will be unaffected by unusual or non- recurring items. Non- GAAP Measures should not be considered as measures of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Non- GAAP Measures only for supplemental purposes. Item 1- Business Overview Albertsons is one of the largest food and drug retailers in the United States, with both strong local presence and national scale. We also manufacture and process some of the food for sale in our stores. We maintain a website (www. Albertsonscompanies. com) that includes additional information about the Company. We make available through our website, free of charge, our annual reports on Form 10- K, our quarterly reports on Form 10- Q, our current reports on Form 8- K and our interactive data files, including amendments **to those reports** . These forms are available as soon as reasonably practicable after we have filed them with, or furnished them electronically to, the Securities and Exchange Commission (" SEC"). Additionally, all of our filings with the SEC can be accessed on the SEC' s website at www. sec. gov. Retail Operations As of February ~~26~~ **25** , ~~2022~~ **2023** , we operated 2, ~~276~~ **271** stores across 34 states and the District of Columbia under 24 banners including Albertsons, Safeway, Vons, Pavilions, Randalls, Tom Thumb, Carrs, Jewel- Osco, Acme, Shaw' s, Star Market, United Supermarkets, Market Street, Haggen, Kings Food Markets and Balducci' s Food Lovers Market. Additionally, as of February ~~26~~ **25** , ~~2022~~ **2023** , we operated 1, 722 pharmacies, 1, ~~317~~ **328** in- store branded coffee shops, ~~402~~ **401** adjacent fuel centers, 22 dedicated distribution centers, ~~20~~ **19** manufacturing facilities and various digital platforms. Our stores operate in First- and- Main retail locations and have leading market share within attractive and growing geographies. We hold a # 1 or # 2 position by market share in ~~68~~ **69** % of the 121 metropolitan statistical areas (" MSAs") in which we operate. Our portfolio of well- located, full- service stores provides the foundation of our omnichannel platform, and we have continued to enhance our capabilities to meet customer demand for convenience and flexibility. **Our** ~~During fiscal 2021, we expanded our~~ Drive Up & Go curbside pickup service ~~to over~~ **is offered in nearly** 2, ~~000~~ **200** locations and **we** offer delivery services across more than 2, 000 of our stores. In our delivery service, we have expanded **the number of stores** ~~first party locations, and continue to work~~ with **in- house delivery services, and in our** third **-** party services **we have continued to partner with Instacart, DoorDash and Uber** to engage with customers on the platform of their choice. In ~~addition to~~ **fiscal 2022, we rolled out** our ~~continuing partnership~~ **Customers for Life transformation strategy, which is anchored on placing the customer at the center of everything we do,** with **the ultimate goal** ~~Instacart, we expanded our partnership with DoorDash to offer on- demand grocery delivery service where customers can receive a broad assortment in under one hour. We launched a similar partnership with Uber, where customers can order a full assortment~~ of **supporting** ~~groceries on the~~ **them** ~~Uber platform~~ **every day, every week, and for a lifetime** . We seek to tailor our offerings to local demographics and preferences of the markets in which we operate. Our Locally Great, Nationally Strong operating structure empowers decision making at the local level, which we believe better serves our customers and communities, while also providing the technology platforms, systems, analytics and buying power afforded by an organization with national scale. Segments We are engaged in the operation of food and drug retail stores that offer grocery products, general merchandise, health and beauty care products, pharmacy, fuel and other items and services in our stores or through digital channels. Our retail operating divisions are geographically based, have similar economic characteristics and similar expected long- term financial performance. Our operating segments and reporting units are made up of 12 divisions, which are reported in one reportable segment. Each reporting unit constitutes a business for which discrete financial information is available and for which management regularly reviews the operating results. Across all operating segments, the Company operates primarily one store format. Each division offers, through its stores and digital channels, the same general mix of products with similar pricing to similar categories of customers, has similar distribution methods, operates in similar regulatory environments and purchases merchandise from similar or the same vendors. Products Our stores offer grocery products, general merchandise, health and beauty care products, pharmacy, fuel and other items and services. We are not dependent on any individual supplier; only one third- party supplier represented more than 5 % of our sales for fiscal ~~2021~~ **2022** . Merchandising and Manufacturing Our Own Brands portfolio provides high- quality products to our customers at a great value, offering nearly 14, 000 unique items. The Own Brands portfolio includes but is not limited to the registered trademarks Signature SELECT ®, O Organics ®, Open Nature ®, Signature Café ®, Lucerne ~~Dairy Farms~~ ®, Waterfront BISTRO ® ~~and~~ **,** Primo Taglio ®, ~~and the common law trademarks of~~ Signature Care ~~™~~ **®** , Signature Reserve ~~™~~ **®** and Value Corner ~~™~~ **®** . Our Own Brands products resonate well with our shoppers, as evidenced by Own Brands sales of over $ ~~15~~ **16** . ~~3~~ **5** billion in fiscal ~~2021~~ **2022** . Own Brands continues to deliver on innovation with ~~837~~ **375** new items launched in fiscal ~~2021~~ **2022** ~~. During fiscal 2021, Own Brands was awarded four Private Label Manufacturing Association awards and won recognition from Store Brands Magazine for innovation in private brand marketing~~ . As measured by units for fiscal ~~2021~~ **2022** , 10. ~~0~~ **2** % of our Own Brands products were manufactured in Company- owned facilities, and the remainder ~~of our Own Brands merchandise~~ was purchased from third parties. We closely monitor make- versus- buy decisions on internally sourced products to optimize their quality and profitability. In addition, we believe that our scale will provide opportunities to leverage our fixed manufacturing costs in order to drive innovation across our Own Brands portfolio. As of February ~~26~~ **25** , ~~2022~~ **2023** , we operated ~~20~~ **19** food production plants. These plants consisted of seven milk plants, ~~four~~ **three** soft drink bottling plants, three bakery plants, two ice cream product plants, two grocery / prepared food plants, one ice plant and one soup plant. Intellectual Property Our banners, brand image and Own Brands portfolio are significant to our business strategy. We own numerous registered trademarks and service marks and seek to obtain and preserve intellectual property protection of our marks and to ensure that any third party uses are properly licensed. Distribution As of February ~~26~~ **25** , ~~2022~~ **2023** , we operated 22 strategically located distribution centers, approximately 36 % of which are owned or ground- leased. Our distribution centers collectively provide approximately 66 % of all products to our retail operating areas. Marketing and Advertising Our marketing efforts involve collaboration between our national marketing and merchandising team and local divisions and stores. We augment the local division teams with corporate resources and are focused on providing expertise, sharing best practices and leveraging scale in partnership with leading consumer packaged goods vendors. Our corporate teams support divisions by providing strategic guidance in order to drive key areas of our business, including pharmacy, general merchandise and our Own Brands. Our local marketing teams set brand strategy and communicate brand messages through our integrated digital and physical marketing and advertising channels. We devote significant resources to differentiating our banners in the local markets where we operate and invest in loyalty programs to drive traffic. Our local merchandising teams spend considerable time working with store directors to make sure we are satisfying consumer preferences. We also strive to achieve and maintain favorable recognition of our Own Brands offerings by marketing these offerings to consumers and enhancing value for consumers, particularly in respect of branded products. We maintain price competitiveness through systematic, selective and thoughtful price investment to drive customer traffic and basket size. We also use our ~~just for U~~ loyalty program ~~, including~~ **to target promotional activity and improve our customers' experience. This includes** leveraging customer and transaction information with data driven analytics to provide both personalized deals and digital coupons, as well as gas and grocery rewards ~~, to target promotional activity and improve our customers' experience~~ . We have ~~29. 9~~ **more than 34** million members currently enrolled in our loyalty program. We have achieved significant success with active participants in our **loyalty** ~~just for U~~ program, which drives higher sales and customer retention. We have recently deployed and are continuing to refine cloud- based enterprise solutions to quickly process proprietary customer, product and transaction data and efficiently provide our local managers with targeted marketing strategies for customers in their communities. In addition, we use data analytics to optimize shelf assortment and space in our stores by continually and systematically reviewing the performance of each product. In digital, we ~~are beginning to~~ capitalize on our rich and proprietary data **under** ~~, recently launching the~~ Albertsons Media Collective (" AMC") ~~in the first quarter of fiscal 2022~~ . AMC offers new and existing business partners a robust digital marketing platform that reaches our extensive customer network and leverages our strong market share, especially in the ~~68~~ **69** % of markets where we hold a # 1 or # 2 share position. We believe AMC will be a ~~leading~~ **contributor to our** growth and profit driver ~~over~~ **in** the **future** ~~next several years~~ . Raw Materials Various agricultural commodities constitute the principal raw materials used by us in the manufacture of our food products. Although historically raw materials for our products have not been in short supply and have been readily available, see" Part I — Item 1A. Risk Factors" regarding the potential adverse impact on our results of operations due to the lack of, or reduced availability of, raw materials. Environmental Our operations are subject to regulation under environmental laws, including those relating to waste management, air emissions and underground storage tanks. In addition, as an owner and operator of commercial real estate, we may be subject to liability under applicable environmental laws for clean- up of contamination at our facilities. Compliance with, and clean- up liability under, these laws has not had and is not expected to have a material adverse effect upon our business, financial condition, liquidity or operating results. We work hard to maintain the highest standards of environmental stewardship (including procuring and offering sustainably sourced products). During fiscal ~~2021~~ **2022** , we recycled more than ~~875~~ **850** million pounds of cardboard and ~~25~~ **27** million pounds of plastic bags and film from our operations and completed over ~~850~~ **1, 100** energy efficiency projects. Moreover, 100 % of our Own Brands Waterfront BISTRO and Open Nature seafood is sourced to meet our Responsible Seafood Policy. Human Capital Serving ~~approximately~~ 34 **. 7** million customers per week, our associates are a key component of our success. As one of the largest food and drug retailers in the U. S., we recognize that our ability to delight our customers lies in the engagement of our associates. To attract, develop and retain associates, we are committed to fostering a diverse and inclusive culture, investing in talent development and supporting the personal health and well- being of associates and their families. Employees As of February ~~26~~ **25** , ~~2022~~ **2023** , we employed approximately 290, 000 associates, of which approximately ~~65~~ **63** % were part- time and approximately 200, 000 associates were covered by collective bargaining agreements. We take pride in the long tenure of a significant number of our associates and during fiscal ~~2021~~ **2022** , more than ~~61~~ **63** , 000 of our associates celebrated at least 15 years of service, and more than ~~43~~ **44** , 000 of them celebrated over 20 years of service. **Our commitment to our purpose and values continues to shape our approach to attracting, retaining, engaging and developing a highly skilled and ethical workforce, who set us apart and bring these values to life on a daily basis. ACI Purpose and Values** In **2022, we cemented our Company' s purpose: To bring people together around** the ~~face~~ **joys** of **food** ~~a sustained labor shortage~~ and **to inspire well** ~~increased turnover resulting in part from the COVID~~ - ~~19 pandemic~~ **being. This ties to our Company' s ambition – to earn customers for life. To fulfill our purpose and achieve our ambition** , we **are guided by our Company' s values, which are set in our commitment to care. One of these values – We Put People First – grounds us in our belief that our associates are the connection to our customers and communities. We care for their well- being and invest in their personal and professional growth. We believe that a diverse and inclusive workforce is built on a foundation of courtesy, dignity and respect. Our people passionately serve our customers and communities and are the heart and soul of our Company. We value and invest in them as individuals, associates, and also as the connection that drives our business. By putting people first, we build a more meaningful, less transactional relationship with our associates, and dedicate our resources and energy to their professional growth. Starting in mid- 2022, we began a company- wide effort to enroll each associate in" Living Our Purpose." Through leader- led sessions, our associates are committing to live by our values better. Recognition programs** have ~~continued~~ **been aligned** to ~~focus on recruiting, developing and retaining~~ our **values** ~~associates by seeking to create a safe~~ , ~~equitable, diverse~~ and ~~inclusive workplace~~ **team meetings and town hall events feature panel discussions about living our values. In addition, initiatives have been positioned with objectives tied to our ambition and purpose** . Diversity, Equity and Inclusion During fiscal ~~2021~~ **2022** , we continued ~~our commitment~~ to **put people first and have remained committed to creating a workplace where inclusion thrives through** diverse representation across all levels of our workforce. We ~~aspire~~ **strive** to reflect the ~~vibrant and thriving~~ **rich diversity of** communities ~~in which~~ we ~~live~~ **serve** and ~~work~~ **foster a culture of belonging that embraces differences** . Our commitment to diversity **, equity** and inclusion **(" DE & I")** is a core element of our philosophy and we strive to embed it in our people practices. We believe in a diverse and inclusive workplace that fosters personal growth, develops talent and offers career opportunities. To enable an inclusive and welcoming culture among our associates, we support **our** associate resource groups (" ARGs"). The ARGs, **collectively comprising over 5, 000 members, are** based on employee interests ~~,~~ **and** are open to all associates in the corporate **and division** ~~office~~ **offices ,** and ~~to the~~ field leadership **in our retail stores and supply chain facilities** . ~~Our current~~ **During fiscal 2022, we added our newest**

ARG- diverseABILITY- an ARG focused on driving disability inclusion for people with diverse abilities, their caretakers, and allies, to our existing ARGs ~~are~~ **, which include** the Women ~~'~~ **'** s Inspiration and Inclusion Network (" WIIN"), the Hispanic Leadership Network, the Asian Network, the African American Leadership Council, the Pride Alliance, Green Team **,** and the Veterans Associate Resource Group. We also have **the Albertsons** ARG ~~mentorship~~ **Mentorship** ~~programs~~ - **Program** which **is designed** ~~provides mentors and mentees with a great way~~ to **support** ~~build new relationships and help sharpen their~~ -- **the** ~~skills~~ **talent development objective of our DE & I strategic framework and create a space that allows associates to form a valuable partnership based on commitment to growth and development** . We are ~~also~~ **proud to be** one of the first national grocery chains to join the Business Coalition for the Equality Act, a group of leading U. S. employers that support the federal Equality Act. **We are also a signatory to the CEO Action for Diversity & Inclusion. This CEO pledge is an external commitment to remain focused on cultivating a workplace that supports open dialogue on complex and sometimes difficult discussions, which we hope to accomplish through existing conversation forums. We are also committed to facilitating the exchange of actions and do so through our participation in various Chief Diversity Officer roundtable forums.** As part of our ongoing commitment, we have integrated ~~Diversity, Equity & Inclusion ("~~ DE & I ~~")~~ goals into the performance plans of our top leaders and during fiscal ~~2021~~ **2022** we have trained over ~~10~~ **15** , 000 leaders through our" Leading with Inclusion" sessions. We continue to expand opportunities for our associates to learn more about DE & I, including facilitated discussions of leaders on how to be more inclusive, and bi- annual store and supply chain huddles to further embed DE & I into our frontline, complemented by online modules that are shared monthly. We have formed a National Diversity Council that is chaired by our CEO, to advance DE & I within our Company. In addition, each of our 12 operating divisions have Diversity Councils and we have individual councils for our Technology & Engineering, Digital & Consumer ~~,~~ and Supply Chain departments. Talent, Learning & Development and Engagement We are proud to offer our associates **a** myriad **of** opportunities to grow and advance their careers. We have a talent management process that is designed to enable us to identify and assess talent across the organization and provide equal and consistent opportunities for employees to develop their skills. Several levels of associates participate in our annual performance management process that includes goal setting, feedback ~~,~~ and development in order to support their personal growth and development. We actively engage associates across the organization to provide regular input. This includes focus groups, working directly with associates in our stores, ad hoc surveys ~~,~~ and our annual associate experience survey that is available to all associates. ~~Notably, over 90 % of our locations activated action plans shortly after they received their results.~~ We **also** offer formal and informal learning and development opportunities to all associates through synchronous, asynchronous ~~,~~ and hybrid experiences. These offerings include eLearning and on- demand content, virtual and in- person classes, on- the- job training, ~~VR (~~ virtual reality ~~)~~, mentoring programs and more. By offering differentiated learning solutions, we meet our associates where they are in their development to provide the support they need to perform in their current roles and prepare for future opportunities. During fiscal ~~2021~~ **2022** , our in- store and office associates together completed more than ~~5~~ **four** million courses through various platforms. We also launched two enterprise- wide programs that focus on enhancing the capabilities of our leaders. First, our Assistant Store Directors Training program is a 10- week immersive program that prepares high potential frontline supervisors for the next step in their career through business ~~-~~ and industry- specific experiential learning. Second, our Foundational Leadership Skills curriculum was designed for all people leaders to develop their leadership skills through self- study and instructor- led workshops. We have also partnered with industry associations to provide access to relevant continuing retail education opportunities through colleges around the country. **We value** ~~In terms of~~ engagement **and** ~~, we~~ hold regular Town Hall meetings where any employee can ask questions of executives and make their voice heard. **Leaders recognize individuals and teams through programs specific to their area of the Company such as spot award cards that include store credits for future purchases, quarterly programs like our Pharmacy team' s" Elevate" awards, and recognition of milestone anniversaries and completion of certifications and continuing education courses – all rooted in recognizing outstanding team members who are living our purpose and values. Corporate teams feature recognition recipients during town halls, and our weekly newsletter for associates includes stories about associates doing great things for each other, our customers and our communities.** Well- Being ~~We invest in~~ **In addition to** our ~~associates by~~ **efforts to create a vibrant work environment grounded in DE & I, we are continually evaluating and developing our compensation and benefits programs to** ~~offering~~ --- **offer** competitive wages and job- appropriate compensation **. Our** ~~including cash- based performance bonus awards, equity- based compensation awards as well as a broad range of~~ benefits ~~that~~ **are designed to attract and retain our employees and** vary **from location** ~~based on the nature of the job and title~~ , **seniority** ~~customary local practices~~ and ~~statutory requirements~~ **employment status** . **In addition to** ~~The benefits we offer include~~ comprehensive, accessible ~~,~~ and affordable healthcare coverage, **we offer** ~~as well as~~ paid time off, flexible work schedules, family leave, associate assistance programs and a 401 (k) **-** retirement savings and investment plan with Company matching ~~, subject to eligibility~~ . ~~We~~ **Additionally, we** seek to manage our collective bargaining agreements through active negotiations with union officials ~~in order~~ to best provide our employees fair wages, comprehensive retirement packages and other benefits. We ~~aspire~~ **have also launched a series of programs and initiatives** to provide **support to our associates and their families outside of work, including a digital platform designed to provide associates with support for anxiety, depression and stress, a program to support parents and caregivers of children with developmental disabilities, and a program to support associates and eligible family members in the event of a cancer diagnosis. The health and safety of our associates remains at the forefront of our business, and we remain committed to the prevention of injury and illness through strong health and safety management, employee empowerment and accountability, and strict compliance with health and safety regulations. We are also focused on fostering** a safe, open and accountable work environment and we ~~also~~ provide a hotline for all associates to report workplace concerns and violations. In addition to caring for the well- being of our associates, we seek to support the communities we serve. During fiscal ~~2021~~ **2022** , along with the Albertsons Companies Foundation, we contributed ~~almost~~ **more than** $ 200 million in food and financial support, including ~~approximately~~ **more than**

$ 40 million through our Nourishing Neighbors program to ensure those living in our communities **and those impacted by disasters** have enough to eat ~~. We have continued to partner with the Department of Health and Human Services and local health authorities to administer COVID- 19 vaccines to our local communities and have administered more than 12 million doses~~ . Seasonality Our business is generally not seasonal in nature, but a larger share of annual revenues may be generated in November and December due to the major holidays. Competitive Environment The food and drug retail industry is highly competitive. The principal competitive factors that affect our business are location, **price,** quality ~~, price~~ , service, selection, convenience and condition of assets such as our stores. The operating environment for the food and drug retailing industry continues to be characterized by intense competition, aggressive expansion, increasing specialization of retail and digital formats, entry of non- traditional competitors and consolidation. We face intense competition from **supercenters,** other food and / or drug retailers ~~, supercenters~~ , club stores, online retailers, specialty and niche supermarkets," limited assortment" stores, drug stores, general merchandisers, wholesale stores, **dollar and** discount stores, convenience stores, natural food stores, farmers' markets, local chains and stand- alone stores that cater to the individual cultural preferences of specific neighborhoods, restaurants and a growing number of internet- based home delivery and meal solution companies. We and our competitors engage in price and non- price competition which, from time to time, has adversely affected our operating margins. Executive Officers of the Registrant The following table sets forth information regarding our executive officers as of April ~~26~~ **25** , ~~2022~~ **2023** : NameAgePositionVivek ~~Sankaran59Chief~~ **Sankaran60Chief** Executive Officer and DirectorSharon McCollam ~~59President~~ **60President** and Chief Financial OfficerAnuj ~~Dhanda59Executive~~ **Dhanda60Executive** Vice President and Chief Information OfficerOmer ~~Gajial48Executive~~ **Gajial49Executive** Vice President ~~, Pharmacy~~ **of Health** and ~~HealthSusan~~ **Chief Digital OfficerSusan** ~~Morris53Executive~~ **Morris54Executive** Vice President and Chief Operations **OfficerKelly Griffith59Executive** ~~OfficerJuliette W. Pryor57Executive~~ Vice President **of Retail Operations, West RegionMichelle Larson46Executive Vice President of Retail Operations, East RegionJuliette Pryor58Executive Vice President** , General Counsel and SecretaryEvan ~~Rainwater59Executive~~ **Rainwater60Executive** Vice President, Supply Chain and **ManufacturingJennifer** ~~ManufacturingChristine Rupp53Executive Vice President and Chief Customer and Digital OfficerJennifer Saenz44Executive~~ **Saenz45Executive** Vice President and Chief Merchandising OfficerMichael ~~Theilmann58Executive~~ **Theilmann59Executive** Vice President and Chief Human Resources Officer Vivek Sankaran has served as our Chief Executive Officer and Director since September 2021, and our Chief Executive Officer, President and Director since April 2019. Prior to joining the Company, since 2009 Mr. Sankaran served in various leadership and executive positions at PepsiCo, Inc. (" PepsiCo"), a multinational food, snack, and beverage corporation. From January to March 2019, he served as Chief Executive Officer of PepsiCo Foods North America, a business unit within PepsiCo, where he led PepsiCo' s snack and convenient foods business. Prior to that position, Mr. Sankaran served as President and Chief Operating Officer of Frito- Lay North America, a subsidiary of PepsiCo, from April 2016 to December 2018, its Chief Operating Officer from February to April 2016 and Chief Commercial Officer, North America, of PepsiCo from 2014 to February 2016, where he led PepsiCo' s cross- divisional performance across its North American customers. Prior to joining PepsiCo in 2009, Mr. Sankaran was a partner at McKinsey and Company, where he served various Fortune 100 companies, bringing a strong focus on strategy and operations. Sharon McCollam has served as our President and Chief Financial Officer since September 2021. Ms. McCollam previously served as Executive Vice President, Chief Administrative and Chief Financial Officer at Best Buy Co. Inc. (" Best Buy"), a multinational consumer electronics retailer, from 2012 to 2016. Prior to Best Buy, Ms. McCollam held several transformational leadership positions at Williams- Sonoma, Inc., a consumer retail company, from 2000 to 2012, including Chief Operating and Chief Financial Officer from 2006 to 2012. Anuj Dhanda has served as our Executive Vice President and Chief Information Officer since December 2015. Prior to joining the Company, Mr. Dhanda served as Senior Vice President of Digital Commerce of the Giant Eagle supermarket chain from March to December 2015, and as its Chief Information Officer from September 2013. Prior to Giant Eagle, from March 2008 to August 2013, Mr. Dhanda served as Chief Information Officer of PNC Financial Services, a bank holding company and financial services corporation. Omer Gajial has served as our Executive Vice President of **Health and Chief Digital Officer since August 2022, as our Executive Vice President of** Pharmacy and Health since February 2022 and as our Senior Vice President, Rx Health and Wellness since September 2020. Prior to joining the Company, from January 2016 until August 2020, Mr. Gajial was the General Manager for Amazon Marketplace business, an e- commerce platform owned and operated by Amazon, across Hardlines, Softlines, and Consumables categories for the U. S., Canada, and Mexico. At Amazon ~~he~~ **Mr. Gajial** led sales, business development, product, program, and ~~fulfilment~~ **fulfillment** teams to launch strategic sellers into North America. Prior to Amazon, from July 2000 until December 2015, Mr. Gajial held several positions of increasing responsibility at PepsiCo in Dubai and New York, before being named VP Global Strategy, Category Management & Insights for PepsiCo' s Walmart Customer team. Susan Morris has served as our Executive Vice President and Chief Operations Officer since January 2018. Ms. Morris has served in various executive positions at the Company since 2010 including serving as our Executive Vice President, Retail Operations, West Region from April 2017 to January 2018 and Executive Vice President, Retail Operations, East Region from April 2016 to April 2017. Prior to joining the Company, Ms. Morris served as Senior Vice President of Sales and Merchandising and Vice President of Customer Satisfaction at SuperValu. **Kelly Griffith has served as our Executive Vice President of Retail Operations, West Region since March 2022 and previously as Executive Vice President of Operations from January 2015 to April 2016. Mr. Griffith also served in various executive positions at Safeway prior to its merger with the Company in 2015 and various other roles dating back to 1980. Michelle Larson has served as our Executive Vice President of Retail Operations, East Region since March 2023 and our Southwest and Shaw' s Division President since 2018. Ms. Larson first joined the Company in 2016 as Senior Vice President of Merchandising, Southwest.** Juliette ~~W.~~ Pryor has served as our Executive Vice President and General Counsel since June 2020. Prior to joining the Company, since October 2016, Ms. Pryor served as senior vice president, general counsel and corporate secretary for Cox Enterprises, Inc. (" COX"), a leading communications and automotive services company. Prior to COX, from February 2009 to October 2016, Ms. Pryor served as executive vice president, general counsel and chief compliance officer for US Foods, Inc., a leading U. S. foodservice distributor. Evan Rainwater has served as our Executive Vice President, Supply Chain and Manufacturing since March 2020 and our Senior Vice President, Supply Manufacturing since May 2019. Mr. Rainwater joined the Company in May 2005 as Vice President, Manufacturing ~~. Christine Rupp has served as our Executive Vice President and Chief Customer and Digital Officer since December 2019. Prior to joining the Company, Ms. Rupp served as General Manager, Xbox Business Engineering, from April 2018 to November 2019, and General Manager, Microsoft, Windows and Xbox Digital Store Marketing, from March 2016 to April 2018, at Microsoft Corp. (" Microsoft"), a leading developer of computer software systems and applications. Prior to Microsoft, from December 2005 to February 2016, Ms. Rupp served in various executive positions at Amazon. com, Inc., a multinational technology company~~ . Jennifer Saenz has served as our Chief Merchandising Officer since July 2021. Prior to joining the Company, since 2006, Ms. Saenz served in several executive positions at PepsiCo. From October 2019 until July 2021, Ms. Saenz served as Global Chief Marketing Officer for PepsiCo, and President, Global Foods, responsible for overseeing the marketing function across foods and beverages and growing the PepsiCo Foods portfolio across all global markets. From January 2016 to October 2019 Ms. Saenz served as Senior Vice President & Chief Marketing Officer of PepsiCo Foods North America where she managed the business unit' s snacking portfolio. Michael Theilmann has served as our Executive Vice President and Chief Human Resources Officer since August 2019. Prior to joining the Company, Mr. Theilmann served as Global Practice Managing Partner, Human Resources Officers Practice, from February 2018 to August 2019, and as Partner, Consumer Markets Practice, from June 2017 to January 2018, of Heidrick & Struggles International Incorporated, a worldwide executive search firm. Item 1A- Risk Factors There are risks and uncertainties that can affect our business. The most significant risk factors are discussed below. The following information should be read together with" Part II — Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10- K, which includes forward- looking statements and factors that could cause us not to realize our goals or meet our expectations. ~~Various operating factors and general~~ **General** economic conditions affecting the food and drug retail industry **and various operating factors** may affect our business and may adversely affect our business and operating results. Our operations and financial performance are affected by economic conditions such as macroeconomic factors, credit market conditions and the level of consumer confidence. Both inflation and deflation affect our business.Food deflation could reduce sales growth and earnings,while food inflation could reduce gross margin rates and consumer spending.We have observed increased inflation during the past year with varying impacts on our business.We are unable to predict the direction of the economy or if inflation will increase materially or revert to deflation.The continued increase in ~~energy costs,including~~ fuel ~~,~~ **prices** could also have an effect on consumer spending and on our costs of producing and procuring products that we sell.If the economy weakens, ~~energy costs~~ **fuel prices** continue to increase or inflationary trends continue,our business and operating results could **be adversely affected.** We may **also** experience materially adverse impacts to our business as a result of ~~efforts to curb the spread of COVID- 19. Consumers~~ **consumers** ' perceptions **of** ~~or uncertainty related to~~ the economy, **and** ~~as well as~~ a decrease in their personal financial condition ~~,~~ could hurt overall consumer confidence and reduce demand for many of our product offerings. Consumers may reduce spending on non- essential items, purchase value- oriented products or increasingly rely on food discounters in an effort to secure the food and drug products that they need, all of which could impact our sales and profit. Both inflation and deflation affect our business...... operating results could be adversely affected. We compete within our industry not only for customers, but also for management and hourly employees. ~~We~~ **Since the beginning of the COVID- 19 pandemic, we** have ~~recently~~ faced **a** ~~an increasingly~~ competitive labor market due to ~~sustained~~ labor shortages and ~~increased~~ turnover ~~resulting in part from the COVID- 19 pandemic~~ **. Our inability to keep pace with technological changes may adversely impact our business initiatives and affect our financial performance** . Our success is also dependent in large part upon our ability to maintain and enhance the goodwill and reputation of our banners, our customers' connection to our banners, and a positive relationship with the communities in which we serve. ~~The~~ **Additionally, acts of violence at, or threatened against, our stores, including active shooter situations, may, in addition to other operational impact, result in damage and restricted access to our stores and / or store closures for short or extended periods of time, all of which could materially adversely affect our financial performance. Strains related to** COVID- 19 **or future** ~~pandemic~~ **pandemics** ~~has had, and~~ may ~~continue to~~ have ~~,~~ an adverse effect on our business, financial condition and results of operations. ~~The~~ **Spread of variants related to** COVID- 19 **or future** ~~pandemic~~ **pandemics** ~~continues to impact our business and cause uncertainty. While it is not possible to estimate the full impact that the COVID- 19 pandemic could have on our business going forward, the continued spread of new virus variants~~ and the measures taken in response could ~~continue to~~ adversely impact our business, financial condition and results of operations ~~. Our sales~~ and ~~operating results may be affected by uncertain or changing economic and market conditions arising in connection with and in response to the COVID- 19 pandemic, including inflation, changes to consumer demand and availability of labor. New virus strains and potential federal, state, or local COVID- 19 vaccine and / or testing mandates could also materially impact our results if we face a reduction in available labor and / or incur additional compliance costs. While areas of our business such as Drive Up & Go have experienced increased sales during the pandemic, we cannot estimate future sales and it is unclear whether and to what extent sales, consumer behavior, general economic and business activity return to pre- pandemic levels. The COVID- 19 pandemic may continue to~~ heighten many of the other risks described throughout this report, including but not limited to those relating to our growth strategy, ~~our~~ supply chain ~~and~~ **,** increased food and labor costs, availability of labor, disruption in operations, loss of key employees, our indebtedness, and general economic conditions. We may also experience a negative impact from **government mandated** ~~federal, state and local~~ restrictions ~~that limit consumer visits to our stores, employee illness~~ and ~~other~~ community response measures ~~. Since March 2020, many of our customers have depended on various governmental- funded benefit programs, such as the Supplemental Nutrition Assistance Program (" SNAP") to purchase products from our stores. These government- funded benefit programs were modified in response to the pandemic and are subject to political and economic considerations outside of~~

~~our control. Consequently, we are also unable to predict the continuation of these pandemic related benefit programs or the impact of their suspension or elimination on employment levels and on demand for our products. A significant decrease in government benefits such as SNAP could adversely affect our results of operations. As we enter the third year of the pandemic, in light of new COVID- 19 variants, we will have to continue to monitor and reevaluate the many protective measures we have taken in our stores since the beginning of the pandemic. The continued implementation of these procedures designed to protect our employees may impact our administrative costs and expenses and our ability to maintain our staffing needs at the retail and distribution level. We have in the past, and may in the future again be required to, temporarily close stores, offices or distribution centers for cleaning and / or to quarantine employees in the event that an employee develops COVID- 19, particularly as variants of COVID- 19 may develop in the future. We have in the past proactively paused self- service operations, such as soup bars, wing bars, salad bars and olive bars and may be required to do so again in the future. These factors could impact the ability of our stores to maintain normal hours of operation or to have sufficient inventory~~ which may disrupt our business and **thus** negatively impact our financial results ~~. If we do not respond appropriately to the pandemic, or if customers do not perceive our response to be adequate, we could suffer damage to our reputation and our brand, which could adversely affect our business in the future. Further, the COVID- 19 pandemic may continue to impact availability of key products from suppliers, and our ability to access and ship product to and from impacted locations. In the past, items such as consumer staples, paper goods, key cleaning supplies and meat products were in short supply and may continue to be in short or limited supply~~ . Our operations are dependent upon the availability of a significant amount of energy and fuel to manufacture, store, transport and sell products. Our operations are dependent upon the availability of a significant amount of energy and fuel to manufacture, store, transport and sell products. Energy and fuel costs are influenced by domestic and international political and economic circumstances and have experienced volatility both recently and over time. To reduce the impact of volatile energy costs, we have entered into contracts to purchase electricity and natural gas at fixed prices to satisfy a portion of our future energy needs. We also manage our exposure to changes in energy prices utilized in the shipping process through the use of short- term diesel fuel derivative contracts. Volatility in fuel and energy costs that exceeds offsetting contractual arrangements could adversely affect our results of operations. ~~We may not be able to enter into strategic transactions, investments or partnerships in the future on terms acceptable to us, or at all. We periodically review potential strategic transactions and investments aimed at enhancing the Company' s growth and maximizing shareholder value. On February 28, 2022, our Board announced that it had commenced a Board- led review of potential strategic alternatives which will include an assessment of various balance sheet optimization and capital return strategies, potential strategic or financial transactions and development of other strategic initiatives to complement our existing businesses. The Board has not set a timetable for the conclusion of this review, nor has it made any decisions related to any further actions or potential strategic alternatives at this time. We cannot make any assurance that the review will result in any transaction or other strategic change or outcome. We have in the past acquired regional and local retail grocery and drug stores chains. While we have in the past identified grocery and drug chains to acquire, our national footprint may limit the number and location of any grocery and drug chain that we can or desire to acquire. Acquisitions also require us to integrate stores into our current operations, including purchasing, distribution, payroll and financial reporting that could require significant changes to our business processes and systems which could be disruptive to our operations.~~ Failure to realize anticipated benefits from our productivity initiatives could adversely affect our financial performance and competitive position. Although we have identified and are still implementing a broad range of specific productivity initiatives to help offset cost inflation, ~~fund~~ **fuel** growth and drive earnings, there can be no assurance that all of our initiatives will be successful or that we will realize the estimated benefits in the currently anticipated amounts or timeframe, if at all. Certain of these initiatives involve significant changes in our operating processes and systems that could result in disruptions in our operations. The savings from these planned productivity initiatives represent management' s estimates and remain subject to risks and uncertainties. The actual benefits of our productivity initiatives, if achieved, may be lower than we expect and may take longer than anticipated. ~~While certain projects are underway and contributing as expected, in other cases, we temporarily paused some of our initiatives in fiscal 2020 to ensure we are first taking care of our customers and our communities, while focusing on the safety of our associates during the COVID- 19 pandemic.~~ We may be adversely impacted by environmental, social and governance matters, including **inability** ~~if we are unable~~ to meet goals and commitments that we establish in relation to such matters. In recent years, there has been an increased focus from investors, governmental and nongovernmental entities, and the public on environmental, social and governance (" ESG") matters, including greenhouse gas emissions, renewable energy, packaging and waste, practices related to sustainable supply chain, energy and water use, diversity, equity and inclusion, human rights and social commitment. A variety of organizations evaluate, and measure the performance of, companies on such ESG matters, and the results of these assessments ~~are~~ **can be** widely publicized. Given our commitment to ESG, we have established and publicly announced certain goals, commitments, and targets which we may refine or even expand further in the future. Execution of our ESG strategies to achieve these goals, commitments, and targets are subject to risks and uncertainties, many of which may be outside of our control and prove to be more costly than we anticipate. These risks and uncertainties include, but are not limited to, our ability to achieve our goals, commitments, and targets within the currently projected costs and the expected timeframes; unforeseen operational and technological difficulties; the outcome of research efforts and future technology developments; and the success of our collaborations with third parties. Any failure, or perceived failure, to achieve our ESG goals, commitments, and targets **, the setting or publication of certain targets or the intensity of our commitment to ESG initiatives** could damage our reputation and customer, investor and other stakeholder relationships, and may even result in regulatory enforcement action. Such conditions could have an adverse effect on our business, results of operations and financial condition. **The Merger Agreement and the pendency of the Merger could have a material adverse effect on our business, results of operations, financial condition and stock price. On October 13, 2022 the Company, The Kroger Co. (" Kroger" or" Parent") and Kettle Merger Sub, Inc., a wholly owned subsidiary of**

Parent (" Merger Sub"), entered into an Agreement and Plan of Merger (the" Merger Agreement"), pursuant to which Merger Sub will be merged with and into the Company (the" Merger"), with the Company surviving the Merger as the surviving corporation and a direct, wholly owned subsidiary of Parent. The Merger Agreement contains customary representations and warranties of the parties and is subject to the satisfaction of various covenants and agreements, including, among others the expiration of the applicable waiting period under the Hart- Scott- Rodino Antitrust Improvements Act of 1976, as amended (" HSR Act") and certain other approvals and clearances. During the period between the date of signing of the Merger Agreement and the closing of the Merger (the" Closing"), our business is exposed to certain inherent risks due to the effect of the announcement or pendency of the Merger and the transactions contemplated by the Merger, including the separation and establishment of SpinCo (as defined in" Part II — Item 8. Financial Statements and Supplementary Data — NOTE 2"), which may impact our business relationships, financial condition and operating results. Some of these risk factors include: • difficulties maintaining relationships with customers, distributors, vendors, suppliers, service providers and other business partners, who may defer decision about working with us, move to our competitors, seek to delay or change existing business relationships with us; • uncertainties caused by negative sentiment in the marketplace with respect to the Merger, which could adversely impact investor confidence in the Company; • distraction of our current employees as a result of the announced Merger Agreement which could result in a decline in their productivity or cause distractions in the workplace; • our inability to attract new employees or retain current employees may be exacerbated due to uncertainties related to the Merger; • the impact of litigation in respect of the Merger Agreement and the Merger; • diversion of significant management time and resources towards the completion of the Merger and transactions related to the Merger; • impact of costs related to completion of the Merger and transactions related to the Merger, including any costs related to any divestitures for which we are required to obtain regulatory approvals; • our inability to solicit other acquisition proposals, pursue alternative business opportunities, make strategic changes to our business and other restrictions on our ability to conduct our business pursuant to the Merger Agreement; and • other developments beyond our control, including, but not limited to, changes in domestic or global economic conditions that may affect the timing or success of the Merger. The ability to complete the Merger is subject to the receipt of consents and approvals from government entities, which may impose conditions that could cause us or Kroger to abandon the Merger. Completion of the Merger is conditioned upon, among other things, the expiration or termination of the required waiting period (and any extension thereof) applicable to the Merger under the HSR Act, and any voluntary agreement with the United States Federal Trade Commission (" FTC"), or the Department of Justice Antitrust Division (" DOJ"). In deciding whether to grant antitrust approvals, the FTC or DOJ, and other state regulatory agencies will consider the effect of the Merger on competition and will likely condition their approval of the Merger on our and / or Kroger' s agreement to various requirements, limitations, divestitures or impose restrictions on the conduct of the combined entity' s business following the Merger. We cannot provide any assurance that we or Kroger will obtain the necessary approvals to complete the Merger. In addition, these requirements, limitations, divestitures, or restrictions may result in the delay or abandonment of the Merger. At any time before or after completion of the Merger, notwithstanding the termination or expiration of the waiting period under the HSR Act, the FTC or DOJ or any other state regulatory agency could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the Merger, seeking divestiture of substantial assets of us and / or Kroger, or requiring us or Kroger to agree to other remedies or requirements. We cannot be certain that a legal challenge to the Merger will not be made or that, if a legal challenge is made, we or Kroger will prevail. Failure to prevail in any legal challenge to the Merger may result in the delay or abandonment of the Merger. While the Merger Agreement is in effect, we are subject to restrictions on our business activities. While the Merger Agreement is in effect, we are generally required to conduct our business in the ordinary course consistent with past practices but are restricted from taking certain actions without Kroger' s prior consent, which is not to be unreasonably withheld, conditioned or delayed. These limitations include, among other things, certain restrictions on our ability to amend our organizational documents, acquire other businesses and assets, dispose of our assets, make investments, repurchase, reclassify or issue securities, make loans, pay dividends, incur indebtedness, make capital expenditures, enter into, amend or terminate certain contracts, change accounting policies or procedures, initiate or settle certain litigation, change tax classifications and elections, or take certain actions relating to intellectual property. These restrictions could prevent us from pursuing strategic business opportunities and taking extraordinary actions with respect to our business during this period. Litigation related to the Merger could prevent or delay completion of the Merger or otherwise negatively affect our businesses and operations. Putative stockholder complaints, including stockholder class action complaints, demands for books and records and other complaints or actions may be filed against us, our board of directors, Kroger, Kroger' s board of directors, and others in connection with the transactions contemplated by the Merger Agreement. The outcome of litigation is uncertain, and we may not be successful in defending against any such future claims. Lawsuits that may be filed against us, our board of directors, Kroger, or Kroger' s board of directors could delay or prevent the Merger and otherwise adversely affect our business, results of operations, and financial condition. The Merger may not be completed within the expected timeframe, or at all, and significant delay or the failure to complete the Merger could adversely affect our business. We cannot assure that our business, our relationships or our financial condition will not be adversely affected if the Merger is not consummated within the expected timeframe, or at all. Failure to complete the Merger within the expected timeframe, or at all, could adversely affect our business and the market price of our common stock in several ways, including the following: • to the extent that the current market price of our common stock reflects an assumption that the Merger will be completed, it may be negatively impacted because of a failure to complete the Merger within the expected timeframe or at all; •

investor and consumer confidence in our business could decline, litigation could be brought against us, relationships with vendors, service providers, investors and other business partners may be adversely impacted, and we may be unable to retain key personnel; • we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other costs in connection with the Merger and the transactions contemplated by the Merger, for which we may receive little or no benefit if the Merger and the transactions contemplated by the Merger are not completed. Many of these fees and costs will be payable by us even if the Merger and the transactions contemplated by the Merger are not completed and may relate to activities that we would not have undertaken other than to complete the Merger ; and • failure to complete the Merger, may result in negative publicity and a negative impression of us in the investment community. The occurrence of any of these events individually or in combination could materially and adversely affect our business, results of operations, financial condition, and our stock price. If the Merger is not completed, there can be no assurance that these risks will not materialize and will not materially adversely affect our stock price, business, financial conditions, results of operations or cash flows. Competition in our industry is intense, and our failure to compete successfully may adversely affect our profitability and operating results. The food and drug retail industry is large and dynamic, characterized by intense competition among a collection of local, regional and national participants. ~~We~~ **In addition to new entrants to the market, we** face strong competition from **existing supercenters,** other brick and mortar food and / or drug retailers, ~~supercenters,~~ club stores, **dollar and** discount stores, online retailers, specialty and niche supermarkets, drug stores, general merchandisers, wholesale stores, convenience stores, natural food stores, farmers' markets, local chains and stand- alone stores that cater to the individual cultural preferences of specific neighborhoods, restaurants, catering companies and home delivery and meal solution companies. Shifts in the competitive landscape, consumer preference or market share may have an adverse effect on our profitability and results of operations. As a result of consumers' growing desire to shop online, we also face increasing competition from both our existing competitors that have incorporated the internet as a direct- to- consumer channel and online providers that sell grocery products. In addition, we face increasing competition from online distributors of pharmaceutical products. Although we have accelerated the expansion of our digital business ~~, including~~ to ~~respond to increased customer demand as a result of the pandemic, and~~ offer our customers the ability to shop online for both home delivery through a variety of delivery providers and Drive Up & Go curbside pickup, there is no assurance that these online initiatives will **continue to** be successful. In addition, these initiatives may have an adverse impact on our profitability as a result of lower gross margins or greater operating costs to compete. Our ability to attract customers is dependent, in large part, upon a combination of channel preference, location, store conditions, quality, price, service, convenience and selection. In each of these areas, traditional and non- traditional competitors compete with us and may successfully attract our customers by matching or exceeding what we offer or by providing greater shopping convenience. In recent years, many of our competitors have aggressively added locations and adopted a multi- channel approach to marketing and advertising. Our responses to competitive pressures, such as additional promotions, increased advertising, additional capital investment ~~and the~~ **including for** development of our digital offerings and retail media network, could adversely affect our profitability and cash flow. We cannot guarantee that our competitive response will succeed in increasing or maintaining our share of retail food sales. An increasingly competitive industry and ~~, from time to time~~ , inflation and deflation in the prices of certain foods have made it difficult for food retailers to achieve positive identical sales growth on a consistent basis. We and our competitors have attempted to maintain or grow our ~~and their~~ respective share of retail food sales through capital and price investment, increased promotional activity and new and remodeled stores, creating a more difficult environment to consistently increase year- over- year sales. Some of our primary competitors are larger than **us** ~~we are~~ or have greater financial resources available to them and, therefore, may be able to devote greater resources ~~to invest in price, promotional activity and new or remodeled stores in order~~ to grow their share of retail food sales. Price investment by our competitors has also, from time to time, adversely affected our operating margins. Our continued success to effectively compete in the food retail industry is dependent upon our ability to control operating expenses, including managing product **and** ~~costs,~~ labor costs in an increasingly competitive labor market and health care and pension costs stipulated by our collective bargaining agreements. Several of our primary competitors are larger than we are, or are not subject to collective bargaining agreements, allowing them to more effectively leverage their fixed costs or more easily reduce operating expenses. Finally, we need to source, market and merchandise efficiently. Changes in our product mix also may negatively affect our profitability. Failure to accomplish our objectives could impair our ability to compete successfully and adversely affect our profitability. Profit margins in the food retail industry are low. In order to increase or maintain our profit margins, we develop operating strategies to increase revenues, increase gross margins and reduce costs, such as new marketing programs, new advertising campaigns, productivity improvements, shrink- reduction initiatives, distribution center efficiencies, manufacturing efficiencies, energy efficiency programs and other similar strategies. Our failure to achieve forecasted revenue growth, gross margin improvement or cost reductions could have a material adverse effect on our profitability and operating results. We may not timely identify or effectively respond to consumer trends, which could negatively affect our relationship with our customers, the demand for our products and services and our market share. Because we face intense competition, we need to effectively anticipate and respond to changing consumer preferences and demands. It is difficult to predict consistently and successfully the products and services our customers will demand over time. Our success depends, in part, on our ability to identify and respond to evolving trends in demographics and preferences. Failure to timely identify or effectively respond to changing consumer tastes, preferences (including those relating to sourcing or sustainability of product sources or the packaging of such products) and spending patterns could lead us to offer our customers a mix of products or a level of pricing that they do not find attractive. This could negatively affect our relationship with our customers, leading them to reduce their visits to our stores and the amount they spend. Further, while we have significantly expanded our digital capabilities and grown our loyalty programs over the last several years, as technology advances, and as the way our customers interact with technology changes, we will need to continue to develop and offer digital, loyalty and media solutions that are both cost effective and compelling to our customers. Our failure to anticipate or respond to customer expectations for products, services, digital and loyalty programs would adversely affect the demand for our products and services and our market share and could have an adverse effect on our **financial** performance, margins and operating income. Consolidation in the healthcare industry could adversely affect our business and financial condition. Many organizations in the healthcare industry have consolidated to create larger healthcare enterprises with greater market power, which has resulted in increased pricing pressures. If this consolidation trend continues, it could give the resulting enterprises even greater bargaining power, which may lead to further pressure on the prices for our pharmacy products and services. If these pressures result in reductions in our prices, we will become less profitable unless we are able to achieve corresponding reductions in costs or develop profitable new revenue streams. We expect that market demand, government regulation, third- party reimbursement policies, government contracting requirements, litigation and societal pressures will continue to cause the healthcare industry to evolve, potentially resulting in further business consolidations and alliances among the industry participants we engage with, which may adversely impact our business, financial condition and results of operations. Certain risks are inherent in providing pharmacy products and services, and our insurance may not be adequate to cover any claims against us. We currently operate 1, 722 pharmacies **. As** ~~and, as~~ a result, we are exposed to risks inherent in the packaging, dispensing, display, distribution and disposal of pharmaceuticals and other healthcare products, **including** ~~such as~~ risks of liability for products such as opioids ~~, which may potentially cause harm to consumers, as well as increased regulatory risks and related costs~~ . Although we maintain insurance **against such liabilities** , we cannot guarantee that the coverage limits under our insurance programs will be adequate to protect us against future claims, or that we will be able to maintain this insurance on acceptable terms in the future, or at all **for healthcare and pharmaceutical liabilities** . Our results of operations, financial condition or cash flows may be materially adversely affected if in the future our insurance coverage proves to be inadequate or unavailable, or there is an increase in the liability for which we self- insure, or we suffer harm to our reputation as a result of an error or omission. **Also, our business operations and operating results could be materially adversely impacted by legislative, enforcement, regulatory, judicial and public policy changes.** We are subject to numerous federal and state regulations. Each of our in- store pharmacies must be licensed by the **respective** state government. The licensing requirements vary from state to state. An additional registration certificate must be granted by the U. S. Drug Enforcement Administration, and, in some states, a separate controlled substance license must be obtained to dispense controlled substances. In addition, pharmacies selling controlled substances are required to maintain extensive records and often report information to state and federal agencies. If we fail to comply with existing or future laws and regulations, we could suffer substantial civil or criminal penalties, including the loss of our licenses to operate pharmacies and our ability to participate in federal and state healthcare programs. As a consequence of the severe penalties we could face, we must devote significant operational and managerial resources to complying with these laws and regulations. Application of federal and state laws and regulations could subject our current practices to allegations of impropriety or illegality, or could require us to make significant changes to our operations. In addition, we cannot predict the impact of future legislation and regulatory changes on our pharmacy ~~business~~ **operations** or assure that we will be able to obtain or maintain the regulatory approvals required to operate our business. Product and raw material supply disruptions, especially those related to fresh products, may have an adverse effect on our profitability and operating results. Reflecting consumer preferences, we have a significant focus on fresh products. We rely on various suppliers and vendors to provide and deliver our fresh and other product inventory on a continuous basis and to supply the raw materials to manufacture certain of our Own Brands products. We could suffer significant fresh and other product inventory losses and significant lost revenue in the event of the loss or a shutdown of a major supplier or vendor, disruption of our distribution network, extended power outages, natural disasters, foreign conflicts or other catastrophic or unexpected occurrences ~~. Due~~ **such as a pandemic similar** to ~~the~~ COVID- 19 ~~pandemic and the resulting dislocation of workplaces and the economy, the ability of vendors to supply required products may be impaired because of illness or absenteeism in their workforces, government mandated shutdown orders or impaired financial conditions~~ . ~~In~~ **As examples, in** the past, we have observed that the supply of meat products ~~, for example,~~ was impacted by the shutdown of certain key production facilities due to workforce illness. ~~The impact of~~ **Also, labor and transportation issues, stemming from** COVID- 19 **,** ~~on labor and transportation has continued~~ - **continue** to be felt along our supply chain ~~, resulting in shipping and stocking delays. Specifically, staffing shortages caused by employees sick with, or exposed to, COVID- 19 resulted in significant delays in transporting products from warehouses to retail shelves throughout fiscal 2021. The supply of each product may return to pre-COVID- 19 levels at different times, if at all, and there can be no assurance that our efforts to ensure in- stock positions for all of the products that our customers require will be successful. Furthermore, our staffing challenges are affected by the uncertainties of potential future viral variants, and the governmental and regulatory responses thereto, which are difficult to predict. We could experience raw material shortages for certain materials that are sourced from Ukraine and surrounding areas due to armed conflict in the area. We cannot predict whether hostilities or other armed conflict will continue in this area or any other area from which we source raw materials~~ . Severe weather, natural disasters and other climate changes may adversely affect our business. Severe weather conditions such as hurricanes, earthquakes, floods, wildfires **, mudslides** , winter storms, tornadoes, as well as other natural disasters in areas in which we have stores or distribution centers have caused and may cause physical damage to our properties, closure of one or more of our stores, manufacturing facilities or distribution centers, lack of an adequate work force, disruption in the manufacture and supply of products, disruption and delays in transportation and delivery of goods, reduction in customer traffic and generally a reduction in the availability of products in our stores. In addition, adverse climate conditions, weather patterns and the impact of such conditions and patterns such as drought, flood, wildfires, mudslides and rising ambient temperatures adversely impact product cultivation conditions for farmers, ranchers and fishermen, including by disrupting ecosystems and severely altering the growing conditions, nutrient levels, soil moisture, and water availability necessary for the growth and cultivation of crops and raising of animals. As extreme shifts in climate conditions make it more difficult to raise and produce crops, livestock, and seafood, there may be a decrease in the product quality and the yield quantity of food products. Consequently, such a decreased food supply may adversely affect the availability or cost of certain products within the grocery supply chain, which could lead to shortages or reduced gross profit margins as such products become more expensive. At the global level, the impact of climate change on food supply is more likely to lead to food insecurity in countries which, unlike the United States, have climates insufficient to sustain diverse food production. Thus, there may be increased demand for agricultural exports from regions that experience production difficulties yet have sufficient wealth to purchase imports. This may impact the availability of products for us to purchase. In addition, future legislative and regulatory efforts to combat climate change or other environmental issues could result in new or more stringent forms of oversight and mandatory or voluntary reporting, diligence and disclosure, which could increase costs, result in additional taxes and other expenses, and further impact our business, results of operations and financial condition. Threats or potential threats to security of food and drug safety, the occurrence of a widespread health epidemic and / or pandemic or regulatory concerns in our supply chain may adversely affect our business. Acts or threats, whether perceived or real, of war or terror or other criminal activity directed at the food and drug industry or the transportation industry, whether or not directly involving our stores, could increase our operating costs and operations, or impact general consumer behavior and consumer spending. Other events that give rise to actual or potential food contamination, drug contamination or food- borne illnesses, or a widespread regional, national or global health epidemic and / or pandemic ~~, such as of influenza or, specifically, the COVID- 19 pandemic,~~ could have an adverse effect on our operating results or disrupt production and delivery of the products we sell, our ability to appropriately and safely staff our stores and cause customers to avoid public gathering places or otherwise change their shopping behaviors. We source our products from vendors and suppliers and related networks across the globe who may be subject to regulatory actions or face criticism due to actual or perceived social injustices, including human trafficking, non- sustainable practices, child labor or environmental, health and safety violations. A disruption in our supply chain due to any regulatory action or social injustice could have an adverse impact on our supply chain and ultimately our business, including potential harm to our reputation ~~. The costs associated with implementing and maintaining the safety measures designed to protect our associates and customers in the COVID- 19 pandemic have to date been more than offset by increased sales, but in the event our sales decline as stay- at- home guidance subsides or consumers elect to consume meals away from home, we may be required to continue to implement and maintain these protective measures despite lower sales, thereby reducing our profitability~~ . We could be affected if consumers lose confidence in the food supply chain or the quality and safety of our products. We could be adversely affected if consumers lose confidence in the safety and quality of certain food products. Adverse publicity about these types of concerns, ~~such as the concerns relating to the COVID- 19 pandemic,~~ whether valid or not, may discourage consumers from buying our products or cause production and delivery disruptions. To the extent that a pathogen is food- borne, or perceived to be food- borne, future outbreaks may adversely affect the price and availability of certain food products and cause our customers to eat less of such ~~product~~ **products** . In addition, recalls or withdrawals of food products **, and in particular the food products we manufacture or are sold under any of our Own Brands product names,** may involve costs to us or reputational harm to us. The real or perceived sale of contaminated food products by us could result in product liability claims, a loss of consumer confidence and product recalls, which could have a material adverse effect on our business. Fuel prices and availability may adversely affect our results of operations. We currently operate ~~402~~ **401** fuel centers that are adjacent to many of our store locations. As a result, we sell a significant amount of gasoline. Increased regulation or significant increases in wholesale fuel costs could result in lower gross margins on fuel sales, and demand could be affected by retail price increases as well as by concerns about the effect of emissions on the environment. We are unable to predict future regulations, environmental effects, political unrest, geopolitical tensions, hostilities or boycotts, acts of terrorism, the actions of major oil producing countries to regulate oil production and other matters that may affect the cost and availability of fuel, and how our customers will react, which could adversely affect our results of operations. Increased commodity prices may adversely impact our profitability. We make in- store pricing decisions **based** ~~on a regional basis depending~~ on the competitive landscape. We also set our pricing based on the cost of doing business on a regional basis, as a result of occupancy and labor costs that vary by region. At the same time, we frequently discuss ways to lower our costs with our consumer packaged goods partners based upon our scale and sales momentum. Many of our own and sourced products include ingredients such as wheat, corn, oils, milk, sugar, proteins, cocoa and other commodities. Commodity prices can be volatile and commodities such as wheat and corn have ~~recently~~ been impacted by the armed conflict between Russia and Ukraine. Any increase in commodity prices may cause an increase in our input costs or the prices our vendors seek from us. Although we typically are able to pass on modest commodity price increases or mitigate vendor efforts to increase our costs, we may be unable to continue to do so, either in whole or in part, if commodity prices increase materially or there is ~~significantly~~ -- **significant** inflationary pressures **as in the current macroeconomic environment** . Suppliers, like us, are incurring additional costs ~~to respond to the COVID- 19 pandemic~~ and may seek to pass those costs through to us. If we are forced to increase prices, our customers may reduce their purchases at our stores or trade down to less profitable products. Both may adversely impact our profitability as a result of reduced revenue or reduced margins. A significant majority of our employees are unionized, and our relationship with unions, including labor disputes or work stoppages, could have an adverse impact on our operations and financial results. As of February ~~26~~ **25** , ~~2022~~ **2023** , approximately 200, 000 of our employees were covered by collective bargaining agreements. **During fiscal** ~~As of February 26,~~ 2022, collective bargaining agreements covering approximately 115, 000 employees ~~have~~ expired ~~or are scheduled to expire in~~ **and were successfully renegotiated. In** fiscal ~~2022~~ **2023** ~~, including~~ collective bargaining agreements covering approximately ~~74~~ **28** , 000 employees **are scheduled** ~~that have been renegotiated subsequent~~ to **expire** ~~the end of fiscal 2021~~ . In future negotiations with labor unions, we expect that health care, pension costs and / or contributions and wage costs, among other issues, will be important topics for negotiation. If, upon the expiration of such collective bargaining agreements, we are unable to negotiate acceptable contracts with labor unions, it could result in strikes by the affected workers and thereby significantly disrupt our operations. As part of our collective bargaining agreements, we may need to fund additional pension contributions, which would negatively impact our operating costs. Further, if we are unable to control health care and pension costs provided for in the collective bargaining agreements, we may experience increased operating costs and an adverse impact on our financial results. Increased pension expenses, contributions and surcharges may have an adverse impact on our financial results. We currently contribute to 27 multiemployer pension plans for a substantial majority of employees represented by unions pursuant to collective bargaining agreements that require us to contribute to these plans. Under the Employee Retirement Income Security Act of 1974, as amended (" ERISA"), the **Pension Benefit Guaranty Corporation (the"** PBGC **")** has the authority to petition a court to terminate an underfunded pension plan in limited circumstances. In the event that our defined benefit pension plans are terminated for any reason, we could be liable for the entire amount of the underfunding, as calculated by the PBGC based on its own assumptions (which would result in a larger obligation than that based on the actuarial assumptions used to fund such plans). Under ERISA and the Internal Revenue Code **, as amended** (the" Code"), the liability under these defined benefit plans is joint and several with all members of our control group, such that each member of our control group is potentially liable for the defined benefit plans of each other member of the control group. We continue to monitor any potential exposure to underfunded multiemployer plans. Based on an assessment of the most recent information available, we believe that most of the multiemployer plans to which we contribute are underfunded, which is the amount by which the actuarial determined plan liabilities exceed the value of the plan assets. We are only one of a number of employers contributing to these plans and the underfunding of any of these plans to which we contribute are not our liability. Though we are not obligated nor the guarantor for any of the underfunding of multiemployer plans to which we contribute, as of December 31, ~~2021~~ **2022** , we attempted to estimate our allocable share of the underfunding of multiemployer plans to which we contribute, based on the ratio of our contributions to the total of all contributions to these plans in a year. Our estimate of the Company' s allocable share of the underfunding of multiemployer plans to which we contribute was $ ~~4~~ **5** . ~~9~~ **1** billion. Our estimate is based on the most current information available to us including actuarial evaluations and other data (that includes the estimates of others), and such information may be outdated or otherwise unreliable. Our estimate could also change based on the amount contributed to the plans, investment returns on the assets held in the plans, actions taken by trustees who manage the plans' benefit payments, interest rates, the amount of withdrawal liability payments made to the plans, if the employers currently contributing to these plans cease participation, and requirements under the Pension Protection Act of 2006, the Multiemployer Pension Reform Act of 2014 and applicable provisions of the Code. The American Rescue Plan Act (" ARP Act"), which was signed into law on March 11, 2021, establishes a special financial assistance program for financially troubled multiemployer pension plans. Under the ARP Act, eligible multiemployer plans can apply to receive a one- time cash payment in the amount needed to pay pension benefits through the plan year ending 2051. We participate in ~~16~~ **18** multiemployer plans that may be eligible for the special financial assistance. Under the ~~interim~~ PBGC guidance ~~, which is expected to be finalized in 2022~~ , these multiemployer plans can apply for assistance based on a priority designation set by the PBGC starting in March 2023 through March 2024. In the event we were to exit certain markets or otherwise cease contributing to these plans, we could trigger a substantial withdrawal liability. Any accrual for withdrawal liability will be recorded when a withdrawal is probable and can be reasonably estimated, in accordance with GAAP. All trades or businesses in the employer' s control group are jointly and severally liable for the employer' s withdrawal liability. We are also the sponsors of defined benefit retirement plans for certain employees. We recognize a liability for the underfunded status of our sponsored employer defined benefit plans as a component of pension and post- retirement benefit obligations. The funded status of these plans is a significant factor in determining annual pension expense and cash contributions to fund the plans. Unfavorable investment performance, increased pension expense and cash contributions may have an adverse impact on our financial results. See" Part II — Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations" and" Part II — Item 8. Financial Statements and Supplementary Data — Note 12" for more information relating to these pension plans. The minimum wage continues to increase and is subject to factors outside of our control. Changes to wage regulations could have an impact on our future results of operations. A considerable number of our employees are paid at rates related to the federal minimum wage. Additionally, many of our stores are located in states, including California, where the minimum wage is greater than the federal minimum wage and where a considerable number of employees receive compensation equal to the state' s minimum wage which are also slated to increase over the next few years. As examples, ~~as of February 26~~ **in California and Massachusetts** , **where** ~~2022,~~ we employed ~~approximately 72~~ **73, 500 and 11** , 500 associates ~~in California~~ , ~~where~~ **respectively, as of February 25, 2023,** the current minimum wage was increased to $ 15. **50 per hour and $ 15.** 00 per hour **, respectively,** effective January 1, ~~2022 and in Massachusetts, where we employed approximately 11, 500 associates as of February 26, 2022, the minimum wage increased to $ 13. 50 per hour, effective January 1, 2021, and will reach $ 15. 00 per hour by~~ 2023. Moreover, municipalities may set minimum wages above the applicable state standards. Increases in the federal minimum wage or the enactment of additional state or local minimum wage increases could increase our labor costs, which may adversely affect our results of operations and financial condition. The food retail industry is labor intensive. Our ability to meet our labor needs, while controlling wage and labor- related costs, is subject to numerous external factors, including the availability of qualified persons in the workforce in the local markets in which we are located, unemployment levels within those markets, prevailing wage rates, changing demographics, attitudes toward employment in the food and drug retail industry, the perception of our corporate values and business strategy, health and other insurance costs **, the impact of the Merger** and changes in employment and labor laws. Such laws related to employee hours, wages, job classification and benefits could significantly increase our operating costs. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, causing our customer service to suffer, while increasing wages for our employees could cause our gross margins to decrease. If we are unable to hire and retain employees capable of meeting our business needs and expectations, our business and brand image may be impaired. Any failure to meet our staffing needs or any material increase in turnover rates of our employees may adversely affect our business, results of operations and financial condition. Failure to attract and retain qualified associates could materially adversely affect our financial performance and our ability to successfully execute our business strategy. Our ability to continue to conduct and expand our operations depends on our ability to attract and retain a large and growing number of qualified associates. Our ability to meet our labor needs, including our ability to find qualified personnel to fill positions that become vacant at our existing stores and distribution centers, while controlling our associate wage and related labor costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which we operate, unemployment levels within those markets, prevailing wage rates, changing demographics, attitudes toward employment in the food and drug retail industry, the perception of our corporate values and business strategy, health and other insurance costs **, the impact of the Merger** and adoption of new or revised employment and labor laws and regulations. If we are unable to locate, to attract or to retain qualified personnel, the quality of service we provide to our customers may decrease and our financial performance may be adversely affected. The continued successful implementation of our business strategy depends in large part upon the ability and experience of members of our senior management. In addition, our **financial** performance is dependent on our ability to identify, hire, train, motivate and retain qualified management, technical, sales and marketing and retail personnel. If we lose the services of members of our senior management or are unable to continue to attract and retain the necessary personnel, we may not be able to successfully execute our business strategy, which could have an adverse effect on our business. Unfavorable changes in government regulation may have a material adverse effect on our business. ~~Our stores are subject to various federal, state, local and foreign laws, regulations and administrative practices.~~ We must comply with ~~numerous provisions~~ **various federal, state, local and foreign laws, regulations and administrative practices such as those** regulating health and sanitation standards, food labeling, energy, environmental, equal employment opportunity, minimum wages, pension, health insurance and other welfare plans ~~,~~ **and** licensing for the sale of food, drugs and alcoholic beverages ~~and any new provisions relating to the COVID- 19 pandemic~~ . We cannot predict either the nature of future laws, regulations, interpretations or applications, or ~~the~~ **their** effect ~~either additional governmental laws, regulations or administrative procedures, when and if promulgated, or disparate federal, state, local and foreign regulatory schemes would have~~ on our future business. In addition, governmental or regulatory changes could require the reformulation of certain products to meet new standards, the recall or discontinuance of certain products ~~not able to be reformulated~~ , additional record keeping, expanded documentation of the properties of certain products, expanded or different labeling and / or scientific substantiation or a decrease in government assistance programs such as **the Supplemental Nutrition Assistance Program ("** SNAP ~~,~~ **")** that our customers use to purchase products **. For example, the temporary boost to SNAP benefits put in place during the COVID- 19 pandemic, known as emergency allotments, ended nationwide in February 2023** . Any or all of such requirements could have an adverse effect on our business. Tax matters could adversely affect our results of operations and financial conditions. We may be affected by higher rates of federal, state, or local tax imposed as a result of political developments or economic conditions, which could affect our effective tax rate. Our effective tax rate and future tax liability could be adversely affected by regulatory and legal changes, the results of tax audits and examinations, and changes in accounting principles and interpretations relating to tax matters, all of which could negatively impact our business. In addition, changes in tax **rates, tax** laws **,** and regulations that impact our customers or the economy generally may also impact our financial condition and results of operations. Unfavorable changes in, failure to comply with or increased costs to comply with environmental laws and regulations could adversely affect us. The storage and sale of petroleum products could cause disruptions and expose us to potentially significant liabilities. Our operations, including our ~~402~~ **401** fuel centers, are subject to various laws and regulations relating to the protection of the environment, including those governing the storage, management, disposal and cleanup of hazardous materials. Some environmental laws, such as the Comprehensive Environmental Response, Compensation and Liability Act and similar state statutes, impose strict, and under certain circumstances joint and several, liability for costs to remediate a contaminated site, and also impose liability for damages to natural resources. Third- party claims in connection with releases of or exposure to hazardous materials relating to our current or former properties or third-party waste disposal sites can also arise. In addition, the presence of contamination at any of our properties could impair our ability to sell or lease the contaminated properties or to borrow money using any of these properties as collateral. The costs and liabilities associated with any such contamination could be substantial and could have a material adverse effect on our business. Under current environmental laws, we may be held responsible for the remediation of environmental conditions regardless of whether we lease, sublease or own the stores or other facilities and regardless of whether such environmental conditions were created by us or a prior owner or tenant. In addition, the increased focus on climate change, waste management and other environmental issues may result in new environmental laws or regulations that negatively affect us directly or indirectly through increased costs on our suppliers. There can be no assurance that environmental contamination relating to prior, existing or future sites or other environmental changes will not adversely affect us through, for example, business interruption, cost of remediation or adverse publicity. We are subject to, and may in the future be subject to, legal or other proceedings that could have a material adverse effect on us. From time to time, we are a party to legal proceedings, including matters involving personnel and employment issues, personal injury, antitrust claims **based on both federal and state law** , packaging or product claims, claims related to the sale of drug or pharmacy products, such as opioids, **claims invoking consumer- protection statutes,** intellectual property claims and other proceedings arising in or outside of the ordinary course of business. In addition, there are ~~an increasing~~ **a steady** number of cases being filed against companies generally, including class- action allegations under federal and state wage and hour laws ~~. We may also be exposed to legal proceedings arising out of the COVID- 19 pandemic~~ , **especially in California** ~~including potential wrongful death actions brought on behalf of employees that contracted COVID- 19 and allegations of improper pricing of necessities during the COVID- 19 pandemic~~ . We estimate our exposure to these legal proceedings and establish reserves for the estimated liabilities. Assessing and predicting the outcome of these matters involves substantial uncertainties. Although not currently anticipated by management, unexpected outcomes in these legal proceedings or changes in management' s forecast assumptions or predictions could have a material adverse impact on our results of operations.

We use a combination of insurance and self- insurance to address potential liabilities for workers' compensation, automobile and general liability, property risk (including earthquake and flood coverage), director and officers' liability, employment practices liability, pharmacy liability ~~and~~ **,** employee health care benefits **and cyber and terrorism risks** . We use a combination of insurance and self- insurance to address potential liabilities for workers' compensation, automobile and general liability, property risk (including earthquake and flood coverage), director and officers' liability, employment practices liability, pharmacy liability ~~and~~ **,** employee health care benefits and cyber and terrorism risks. We estimate the liabilities associated with the risks retained by us, in part, by considering historical claims experience, demographic and severity factors and other actuarial assumptions which, by their nature, are subject to a high degree of variability. Among the causes of this variability are unpredictable external factors affecting future inflation rates, discount rates, litigation trends, legal interpretations, benefit level changes and claim settlement patterns. The majority of our workers' compensation liability is from claims occurring in California, where workers' compensation has received intense scrutiny from the state' s politicians, insurers, employers and providers, as well as the public in general. **If other states adopt workers' compensation programs similar to California' s, then our workers' compensation liability may increase which could have a material adverse impact on our results of operations.** We may be adversely affected by risks related to our dependence on IT systems. Any future changes to or intrusion into these IT systems, even if we are compliant with industry security standards, could materially adversely affect our reputation, financial condition and operating results. We have complex ~~IT~~ **information technology** systems that are important to the success of our business operations **, financial reporting** and marketing initiatives. **Our information systems are subject to outages, unplanned downtime, program transitions, breakdowns, ransomware attacks, viruses, malicious programs and other cyber incidents.** If we ~~were~~ **fail** to **timely** ~~experience failures, breakdowns, substandard performance~~ or ~~other~~ **successfully mitigate such** adverse events affecting these systems, or **experience** difficulties accessing the proprietary business data stored in these systems, or in maintaining, expanding or upgrading existing systems or implementing new systems, we could incur significant losses ~~due~~ to ~~disruptions in~~ our ~~systems and~~ business **and operations** . These risks may be further exacerbated by the deployment and continued refinement of cloud- based enterprise solutions. In a cloud computing environment, we could be subject to outages by third- party service providers and security breaches to their systems, which we may have little control over. Unauthorized parties have obtained in the past, and may in the future obtain ~~,~~ access to cloud- based platforms used by ~~companies~~ **many retailers** . Improper activities by third parties, exploitation of encryption technology, new data- hacking tools and discoveries and other events or developments may result in future intrusions into or compromise of our networks, payment card terminals or other payment systems **. We regularly defend against and respond to data security incidents. While we are vigilant in monitoring the security of our information technology systems, we may not be able to prevent all unauthorized access or remediate the impact of such unauthorized access** . The techniques used by cyber criminals ~~to obtain unauthorized access to sensitive data~~ change frequently and often cannot be recognized until launched against a target; accordingly, we may not be able to anticipate these frequently changing techniques ~~or~~ **,** implement adequate preventive measures for all of them **or remediate any unauthorized access on a timely basis** . In addition, the recent geopolitical conflict in Ukraine ~~and related sanctions against Russia~~ may increase the risk of cyberattacks **which could impact our operations** . Any unauthorized access into our customers' sensitive information, ~~or~~ data belonging to us or our ~~suppliers~~ **vendors or employee data** , even if we are compliant with industry security standards, could put us at a competitive disadvantage, result in deterioration of our customers' **, vendors' and employees'** confidence in us and subject us to **investigations, required notifications,** potential litigation, liability, fines and penalties and consent decrees, resulting in a possible material adverse impact on our **brand, reputation,** financial condition and results of operations. As a merchant that accepts debit and credit cards for payment, we are subject to the Payment Card Industry (" PCI") Data Security Standard (" PCI DSS"), issued by the PCI Council. PCI DSS contains compliance guidelines and standards with regard to security surrounding the physical administrative and technical storage, processing and transmission of individual cardholder data. By accepting debit cards for payment, we are also subject to compliance with American National Standards Institute (" ANSI") data encryption standards and payment network security operating guidelines. Failure to be PCI compliant or to meet other payment card standards may result in the imposition of financial penalties or the allocation by the card brands of the costs of fraudulent charges to us. As well, the Fair and Accurate Credit Transactions Act (" FACTA") requires systems that print payment card receipts to employ personal account number truncation so that the consumer' s full account number is not viewable on the slip. Despite our efforts to comply with these or other payment card standards and other information security measures, we cannot be certain that all of our IT systems will be able to prevent, contain or detect all cyber- attacks or intrusions. To the extent that any disruption results in the loss, damage or misappropriation of information, we may be adversely affected by claims from customers, financial institutions, regulatory authorities, payment card associations and others. In addition, privacy and information security laws and standards continue to evolve and could expose us to further regulatory burdens. The cost of complying with stricter laws and standards, including PCI DSS, ANSI and FACTA data encryption standards and the California Privacy Rights Act and other state laws, could be significant. The loss of confidence from a data security incident involving our customers ~~or~~ **,** employees **or vendors** could hurt our reputation and cause customer retention and employee recruiting challenges. We receive and store personal information in connection with our business including from processing credit card data, digital marketing **,** and human resources records. The protection of our customer ~~and~~ **,** employee **and vendor** data is critically important to us. Despite our considerable efforts to secure **, upgrade and maintain** our computer networks, **our information** security could be compromised, **and customer, employee and vendor** confidential information could be misappropriated **whether** ~~or system disruptions could occur,~~ as ~~has occurred with~~ a ~~number~~ **result** of **cyberattacks on our information systems,** ~~other~~ -- **the** ~~retailers~~ **information systems hosted by third party providers or otherwise** . If we experience a data security incident, we could be exposed to government enforcement actions, **ransomware claims, loss of business information, negative publicity and** possible ~~assessments~~ **claims** from ~~the~~ **customers, associates, financial institutions, payment** card **associations,** ~~brands if credit card~~

~~data was involved and potential litigation.~~ In addition, our customers could lose confidence in our ability to protect their personal information, which could cause them to stop shopping at our stores altogether ~~. Unauthorized computer intrusions could adversely affect our brands and could discourage customers from shopping with us. While we have implemented security software and hardware designed to provide protections against unauthorized intrusions, there can be no assurance that unauthorized individuals will not discover a means to circumvent our security. Cyber criminals are increasingly sophisticated and operate large- scale and complex attacks. As such, they may be able to penetrate our security controls and misappropriate or compromise sensitive personal, proprietary or confidential information, create system disruptions or cause shutdowns. They also may be able to develop and deploy malicious software programs that attack our systems or otherwise exploit any security vulnerabilities. Computer intrusions could adversely affect our brands, may result in us incurring legal and other fees, may cause us to incur additional expenses for additional security measures and could discourage customers from shopping in our stores~~ . Our indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under our indebtedness. As of February ~~26~~ **25** , ~~2022~~ **2023** , we had approximately $ ~~7~~ **8** . 5 billion of debt outstanding (other than finance lease obligations), and, subject to our borrowing base, we would have been able to borrow an additional $ ~~3~~ **2** . ~~8~~ **9** billion under our asset- based loan (" ABL") facility (the" ABL Facility"). As of February ~~26~~ **25** , ~~2022~~ **2023** , we and our subsidiaries had approximately $ 0. ~~6~~ **5** billion of finance lease obligations. Our indebtedness could have important consequences. For example, it could: • increase our vulnerability to general adverse economic and industry conditions; • require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes, including acquisitions; • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • place us at a competitive disadvantage compared to our competitors that have less debt; and • limit our ability to borrow additional funds. In addition, there can be no assurance that we will be able to refinance any of our debt or that we will be able to refinance our debt on commercially reasonable terms. If we were unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as: • sales of assets; • sales of equity; or • negotiations with our lenders to restructure the applicable debt. Our debt instruments may restrict, or market or business conditions may limit, our ability to obtain additional indebtedness, refinance our indebtedness or use some of our options. We may incur substantially more debt in the future. We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of the credit agreement that governs the ABL Facility and the indentures that govern our indebtedness, as disclosed in" Part II — Item 8. Financial Statements and Supplementary Data — Note 12", permit us to incur significant additional debt, subject to certain limitations. If new indebtedness is added to our and our subsidiaries' current debt levels, the related risks that we and they now face would increase. To service our indebtedness, we require a significant amount of cash, and our ability to generate cash depends on many factors beyond our control. Our ability to make cash payments on and to refinance the indebtedness and to fund planned capital expenditures will depend on our ability to generate significant operating cash flow in the future, as described in the section entitled" Part II — Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report on Form 10- K. This ability is, to a significant extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our business may not generate sufficient cash flow from operations to enable us to pay our indebtedness or to fund our other liquidity needs. In any such circumstance, we may need to refinance all or a portion of our indebtedness, on or before maturity. We may not be able to refinance any indebtedness on commercially reasonable terms, or at all. If we cannot service our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions and investments. Any such action, if necessary, may not be effected on commercially reasonable terms or at all. The instruments governing our indebtedness may restrict our ability to sell assets and our use of the proceeds from such sales. If we are unable to generate sufficient cash flow or are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our credit agreement, or any replacement revolving credit facility in respect thereof, could elect to terminate their revolving commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. ~~In addition~~ **On February 15** , ~~borrowings~~ **2023, we entered into a LIBOR Transition Amendment with the lenders** under ~~our~~ **the** ABL Facility ~~and certain of~~ **, which, among** ~~the~~ **other** ~~NALP Notes bear interest at~~ **things, replaced LIBOR with a term SOFR (of terms of one, three or six months, or if** ~~variable~~ **available , other periods of twelve months or less). Since the initial publication of SOFR, daily changes in the** ~~rates~~ **rate have** , ~~primarily based~~ on **occasion** ~~the London Interbank Offered Rate" LIBOR" as the reference rate. LIBOR is subject to national and international proposals for reform. Certain tenors of LIBOR ceased publication after December 31~~ , **been** ~~2021 and other tenors of LIBOR (including overnight and one, three, six and 12 months) will cease publication after June 30, 2023. Organizations are currently working on industry wide and company specific transition plans as it relates to financial and other derivative contracts exposed to LIBOR. We have the ability to incorporate relatively standardized replacement rate provisions into our ABL Facility, including a spread adjustment mechanism designed to equate to the current LIBOR" all in" rate. There is significant uncertainty with respect to the implementation of the phase out and what alternative indexes will be adopted which will ultimately be determined by the market as a whole. It therefore remains uncertain how such changes will be implemented and the effects such changes would have on us and the financial markets generally. If future rates based upon a successor reference rate are higher or~~ more volatile than **daily changes in comparable benchmark or market rates, and SOFR over time may bear little or no relation to the historical actual or historical indicative data. It is possible that the volatility of and uncertainty around SOFR as a** LIBOR **replacement rate could increase loan** rates **and borrowing**

~~as currently determined or if our lenders have increased~~ costs **under** ~~due to changes in LIBOR, we may experience potential increases in interest rates on any variable rate debt. While we do not expect that~~ the **ABL Facility** ~~transition from LIBOR and risks related thereto will have a material adverse effect on our financing costs, it is still uncertain at this time~~ . ~~For more information, see" Part II — Item 7A. Quantitative and Qualitative Disclosures About Market Risk."~~ Our debt instruments limit our flexibility in operating our business. Our debt instruments contain various covenants that limit our and our restricted subsidiaries' ability to engage in specified types of transactions. A breach of any of these covenants could result in a default under our debt instruments. Any debt agreements we enter into in the future may further limit our ability to enter into certain types of transactions. In addition, certain of the covenants governing the ABL Facility and our existing notes restrict, among other things, our and our restricted subsidiaries' ability to: • incur additional indebtedness or provide guarantees in respect of obligations of other persons; • pay dividends on, repurchase stock from or make distributions to our stockholders, or make other restricted payments or make certain investments; • prepay, redeem or repurchase debt; • make loans, investments and capital expenditures; • sell or otherwise dispose of certain assets; • incur liens; • engage in sale leaseback transactions; • restrict dividends, loans or asset transfers from our subsidiaries; • consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; • enter into a new or different line of business; and • enter into certain transactions with our affiliates. In addition, the restrictive covenants in our ABL Facility require us, in certain circumstances, to maintain a specific fixed charge coverage ratio. Our ability to meet that financial ratio can be affected by events beyond our control, and there can be no assurance that we will meet it. A breach of this covenant could result in a default under such facilities. Moreover, the occurrence of a default under our ABL Facility could result in an event of default under our other indebtedness. Upon the occurrence of an event of default under our ABL Facility, the lenders could elect to declare all amounts outstanding under the ABL Facility to be immediately due and payable and terminate all commitments to extend further credit. Even if we are able to obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us. Increases in interest rates **,** ~~and / or~~ a downgrade of our credit ratings **and / or instability in the credit market** could negatively affect our financing costs and our ability to access capital. We have exposure to future interest rates based on the variable rate debt under our ABL Facility and to the extent we raise additional debt in the capital markets to meet maturing debt obligations, to fund our capital expenditures and working capital needs and to finance future acquisitions. Daily working capital requirements are typically financed with operational cash flow and through the use of our ABL Facility. The interest rate on these borrowing arrangements is generally determined from the inter- bank offering rate at the borrowing date plus a pre- set margin. ~~Although we employ risk management techniques to hedge against interest rate volatility, significant~~ **Significant** and sustained increases in market interest rates could materially increase our financing costs and negatively impact our reported results. We rely on access to bank and capital markets as sources of liquidity for cash requirements not satisfied by cash flows from operations. A downgrade in our credit ratings from the internationally recognized credit rating agencies could negatively affect our ability to access the bank and capital markets, especially in a time of uncertainty in either of those markets. A rating downgrade could also impact our ability to grow our business by substantially increasing the cost of, or limiting access to, capital. We may have liability under certain operating leases that were assigned to third parties. We may have liability under certain operating leases that were assigned to third parties. If any of these third parties fail to perform their obligations under the leases, we could be responsible for the lease obligation. Due to the wide dispersion among third parties and the variety of remedies available, we believe that if an assignee became insolvent it would not have a material effect on our financial condition, results of operations or cash flows. The price of our common stock may be volatile or may decline regardless of our operating performance, and you may suffer a decline in value. The market price of our common stock is volatile and may be influenced by many factors, some of which are beyond our control, including: • **uncertainties related to the pendency of the Merger; • if a substantial number of shares of our common stock becomes available for sale and are sold in a short period of time, the market price of our common stock could decline; •** the failure of securities analysts to cover our common stock, or changes in financial estimates by analysts **; • if one or more securities analysts downgrade our shares or if those analysts issue a sell recommendation or other unfavorable commentary or cease publishing reports about us or our business** ; • changes in, or investors' perception of, the food and drug retail industry; • the activities of competitors; • future issuances and sales of our common stock, including in connection with acquisitions; • future sales of our common stock by our ~~large~~ **largest** ~~stockholders~~ - **stockholder** , ~~including our holders of Convertible Preferred Stock;~~ • our quarterly or annual earnings or those of other companies in our industry; • the public' s reaction to our press releases, our other public announcements and our filings with the SEC; • regulatory or legal developments in the U. S.; • litigation involving us, our industry, or both; and • general economic conditions, including the impact of inflation. In addition, the stock market often experiences extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of a particular company. These broad market fluctuations and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. As a result of these factors, you may suffer a decline in value. ~~We are controlled by~~ **Our largest stockholder is** Cerberus, **which** ~~Klaff Realty, L. P., Schottenstein Stores Corp., Lubert- Adler Partners, L. P. and Kimco Realty Corporation (collectively, the" Sponsors") and they~~ may have conflicts of interest with other stockholders in the future. **Cerberus** ~~Our Sponsors control~~ **controls** in the aggregate approximately ~~75~~ **26** % of our common stock **and Cerberus has the right to designate four directors on our board of directors** . As a result, ~~our Sponsors are~~ **Cerberus may be** able to ~~control~~ **influence (i)** the election of our directors, ~~determine~~ **(ii)** our corporate and management policies and **(iii)** ~~determine, without the consent of our~~ other ~~stockholders, the outcome of any corporate transaction or other matter~~ **matters** submitted to our stockholders for approval ~~, including potential mergers or acquisitions, asset sales and other significant corporate transactions. Four of our 14 directors are either employees of, or advisors to, members of our Sponsors. Our Sponsors also have sufficient voting power to amend our organizational documents~~ . The interests of **Cerberus** ~~our Sponsors~~ may not coincide with the interests of other holders of our common stock. Additionally, **Cerberus is** ~~our Sponsors are~~ in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. **Cerberus** ~~Our Sponsors~~ may also pursue, for ~~their~~ **its** own account, acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as **Cerberus** ~~our Sponsors continue~~ **continues** to own a significant amount of the outstanding shares of our common stock, **Cerberus** ~~our Sponsors~~ will continue to be able to strongly influence ~~or effectively control~~ our decisions ~~, including potential mergers or acquisitions, asset sales and other significant corporate transactions. We are a" controlled company" within the meaning of the NYSE rules and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements. Our stockholders will not have the same protections afforded to stockholders of companies that are subject to such requirements. Our Sponsors, as a group, control a majority of our outstanding common stock. As a result, we are a" controlled company" within the meaning of the NYSE rules. Under the NYSE rules, a company of which more than 50 % of the voting power for the election of directors is held by an individual, group or another company is a" controlled company" and may elect not to comply with certain corporate governance requirements, including: • the requirement that a majority of the board of directors consist of independent directors; • the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities; • the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities; and • the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees. We currently utilize, and intend to continue to utilize, these exemptions. As a result, we do not have a majority of independent directors nor do our nominating and corporate governance and compensation committees consist entirely of independent directors. Accordingly, our stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements~~. Provisions in our charter documents ~~, certain agreements governing our indebtedness, our stockholders agreement with our Sponsors, dated June 25, 2020 (the" Stockholders' Agreement")~~ and Delaware law ~~could make an acquisition of us more difficult and~~ may prevent attempts by our stockholders to replace or remove our current management, even if beneficial to our stockholders. Provisions in our amended and restated certificate of incorporation, as amended (" certificate of incorporation"), and our amended and restated bylaws (" bylaws") may **restrict** ~~discourage, delay or prevent a merger, acquisition or other~~ -- **the ability of stockholders to make** ~~change~~ **changes** in ~~control~~ **our governance** that **they** ~~some stockholders~~ may consider **advantageous** ~~favorable, including transactions in which our~~ - **or desirable** ~~stockholders might otherwise receive a premium for their shares of our common stock. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, possibly depressing the market price of our common stock~~. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace members of our board of directors. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace members of our management team. Examples of such provisions are as follows: • ~~from and after such date that~~ **the authorized number of our directors may be increased** ~~our~~ - **or** ~~Sponsors and~~ **decreased only by** ~~their~~ -- **the affirmative vote of two** ~~respective Affiliates (as defined in Rule 12b~~ - **thirds** ~~2 of the Exchange Act), or any person who is an express assignee or designee of their respective rights under our certificate of incorporation (and such assignee' s or designee' s Affiliates) ceases to own, in the aggregate, at least 50 %~~ of the then- outstanding shares of our common stock ~~(the" 50 % Trigger Date"), the authorized number of our directors may be increased or decreased only by the affirmative vote of two- thirds of the then- outstanding shares of our common stock~~ or by resolution of our board of directors; • ~~prior to the 50 % Trigger Date, only our board of directors and the Sponsors are expressly authorized to make, alter or repeal our bylaws and, from and after the 50 % Trigger Date, our stockholders may only amend our bylaws with the approval of at least two- thirds of all of the outstanding shares of our capital stock entitled to vote; • from and after the 50 % Trigger Date,~~ the manner in which stockholders can remove directors from the board **is** ~~will be~~ limited; • ~~from and after the 50 % Trigger Date,~~ stockholder actions must be effected at a duly called stockholder meeting and actions by our stockholders by written consent will be prohibited ~~; • from and after such date that our Sponsors and their respective Affiliates (or any person who is an express assignee or designee of our Sponsors' respective rights under our certificate of incorporation (and such assignee' s or designee' s Affiliates)) ceases to own, in the aggregate, at least 35 % of the then- outstanding shares of our common stock (the" 35 % Trigger Date"), advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors will be established~~; • limits on who may call stockholder meetings; • requirements on any stockholder (or group of stockholders acting in concert) ~~, other than, prior to the 35 % Trigger Date, the Sponsors, who seeks to transact business at a meeting or nominate directors for election to submit a list of derivative interests in any of our Company' s securities, including any short interests and synthetic equity interests held by such proposing stockholder; • requirements on any stockholder (or group of stockholders acting in concert)~~ who seeks to nominate directors for election to submit a list of" related party transactions" with the proposed nominee (s) (as if such nominating person were a registrant pursuant to Item 404 of Regulation S- K, and the proposed nominee was an executive officer or director of the" registrant"); and • our board of directors is authorized to issue preferred stock without stockholder approval, which could be used to institute a" poison pill" that would work to dilute the stock ownership of a potential hostile acquiror, effectively preventing acquisitions that have not been approved by our board of directors. Our certificate of incorporation authorizes our board of directors to issue up to 100, 000, 000 shares of preferred stock. The preferred stock may be issued in one or more series, the terms of which may be determined by our board of directors at the time of issuance or fixed by resolution without further action by the stockholders. These terms may include voting rights, preferences as to dividends and liquidation, conversion rights, redemption rights, and sinking fund provisions. The issuance of preferred stock could diminish the rights of holders of our common stock, and therefore could reduce the value of our common stock. In addition, specific rights granted to holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of our board of directors to issue preferred stock could delay, discourage, prevent, or make it more difficult or costly to acquire or effect a change in control, thereby preserving the current stockholders' control. ~~Certain rights of the holders of the Company' s Series A- 1 convertible preferred stock (" Series A- 1 Preferred Stock") and Series A convertible preferred stock (" Series A Preferred Stock" and together with the Series A- 1 Preferred Stock, the" Convertible Preferred Stock") could delay or prevent an otherwise beneficial takeover or takeover attempt of the Company. Certain rights of the holders of the Convertible Preferred Stock could make it more difficult or more expensive for a third party to acquire us. For example, if a Fundamental Change (as defined in each of the certificate of designations of the Series A- 1 Preferred Stock (the" Series A- 1 Certificate of Designations") and the certificate of designations of the Series A Preferred Stock (the" Series A- 1 Certificate of Designations" and together with the Series A Certificate of Designations, the" Certificate of Designations")) were to occur, holders of the Convertible Preferred Stock, if issued, may have the right to convert their Convertible Preferred Stock, in whole or in part, at an increased conversion rate and will also be entitled to receive a make- whole amount equal to the present value of all remaining dividend payments on their Convertible Preferred Stock as described in the Certificate of Designations governing the Convertible Preferred Stock. The holders of our Convertible Preferred Stock (the" Preferred Investors") also hold the Investor Exchange Right (as defined in the Certificate of Designations governing the Convertible Preferred Stock) which may be exercised if any of the following were to occur: (i) the seventh anniversary of June 9, 2020, so long as any shares of Convertible Preferred Stock are outstanding, (ii) the fourth anniversary of an initial public offering, if a Fundamental Change occurs and the related Fundamental Change Stock Price (as defined in the Certificate of Designations governing the Convertible Preferred Stock) is less than the conversion price, (iii) a downgrade by one or more gradations (including gradations within ratings categories as well as between ratings categories) or withdrawal of our credit rating, as a result of which our credit rating is B- (or Moody' s equivalent) or lower, (iv) the failure by us to pay a dividend on the Convertible Preferred Stock, which failure continues for 30 days after such dividend' s due date, or (v) a bankruptcy filing. These features of the Convertible Preferred Stock could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.~~ Our certificate of incorporation and bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees. Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the exclusive forum for: (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim for breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders; (c) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law (the" DGCL"), our certificate of incorporation or our bylaws; or (d) any action asserting a claim governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of and consented to the foregoing provisions. This choice of forum provision may limit a stockholder' s ability to bring a claim in a judicial forum that it finds more favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees. Alternatively, if a court were to find this choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations. Because the applicability of the exclusive forum provision is limited to the extent permitted by law, we do not intend that the exclusive forum provision would apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Additionally, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any action asserting a cause of action arising under the Securities Act. Investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers. ~~If a substantial number of shares of our common stock becomes available for sale and are sold in a short period of time, the market price of our common stock could decline and our stockholders may be diluted. If our stockholders sell substantial amounts of our common stock in the public market, the market price of our common stock could decrease. The perception in the public market that our stockholders might sell shares of Common Stock could also create a perceived overhang and depress the market price of our common stock. The market price for shares of our common stock may also drop when the restrictions on resale by certain of our stockholders and independent directors lapse or in anticipation of such restrictions on resale lapsing. The Preferred Investors were previously subject to transfer restrictions with respect to the Convertible Preferred Stock and the shares of Common Stock issuable pursuant to the Convertible Preferred Stock (the" Conversion Shares"). All such transfer restrictions expired in December 2021, and certain of the Preferred Investors elected to exercise their conversion rights pursuant to the Convertible Preferred Stock and sell their underlying Conversion Shares in the public market. The end of such transfer restrictions and resulting sales of such Conversion Shares may have impacted the trading price of our common stock since December 2021 and further conversions and resulting sales in the public market may further impact the trading price of our common stock. In addition, our Sponsors and the Preferred Investors have substantial demand registration rights which they can exercise pursuant to the Registration Rights Agreement we have entered into with the Sponsors and the Preferred Investors. We have also filed a registration statement on Form S- 8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our equity incentive plans. Any shares registered under any registration statement are or will be available for sale in the open market. A decline in the market price of our common stock might impede our ability to raise capital through the issuance of additional shares of our common stock or other equity securities. If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our common stock, the~~

~~market price of our common stock could decline. The trading market for our common stock likely will be influenced by the research and reports that equity and debt research analysts publish about the industry, us and our business. The market price of our common stock could decline if one or more securities analysts downgrade our shares or if those analysts issue a sell recommendation or other unfavorable commentary or cease publishing reports about us or our business. If one or more of the analysts who elect to cover us downgrade our shares, the market price of our common stock would likely decline.~~ Our ability to pay dividends to our stockholders is restricted by applicable laws and regulations and requirements under certain of our securities and debt agreements, including the ABL Facility, **and** our existing notes ~~and the Convertible Preferred Stock~~. Holders of our common stock are only entitled to receive such cash dividends as our board of directors, in its sole discretion, may declare out of funds legally available for such payments. We have established a dividend policy pursuant to which we intend to pay a quarterly dividend on our common stock, which **currently is** ~~we increased from $ 0. 10 per common share to~~ $ 0. 12 per common share ~~in October 2021~~. Our board of directors may change or eliminate the payment of future dividends to our common stockholders at its discretion, without notice to our stockholders. Any future determination relating to our dividend policy will be dependent on a variety of factors, including our financial condition, earnings, legal requirements **, contractual obligations** , our general liquidity needs, and other factors that our board deems relevant. Our ability to declare and pay dividends to our stockholders is subject to certain laws, regulations, and policies, including minimum capital requirements and, as a Delaware corporation, we are subject to certain restrictions on dividends under the DGCL. Under the DGCL, our board of directors may not authorize payment of a dividend unless it is either paid out of our surplus, as calculated in accordance with the DGCL, or if we do not have a surplus, it is paid out of our net profits for the fiscal year in which the dividend is declared and / or the preceding fiscal year. ~~In addition, so long as any shares of our Convertible Preferred Stock remain outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on our Convertible Preferred Stock, subject to exceptions, such as dividends on our common stock payable solely in shares of our common stock.~~ Finally, our ability to pay dividends to our stockholders may be limited by **contractual obligations or** covenants in any financing arrangements that we are currently a party to, including the ABL Facility and our existing notes, ~~to~~ or may enter into in the future. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate at any time, the payment of dividends on our common stock. Our stockholders may be diluted by the future issuance of additional common stock in connection with our equity incentive plans, acquisitions or otherwise. As of February ~~26~~ **25** , ~~2022~~ **2023** , we had approximately ~~412~~ **409** , ~~095~~ **031** , ~~717~~ **400** shares of Class A common stock and 150, 000, 000 shares of Class A- 1 common stock authorized but unissued under our certificate of incorporation, excluding ~~81~~ **2** , ~~242~~ **903** , ~~418~~ **200** shares of ~~common stock and Class A- 1~~ common stock reserved for issuance upon conversion of the Convertible Preferred Stock. We are authorized to issue these shares of common stock and options, rights, warrants and appreciation rights relating to common stock for consideration and on terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. We have reserved a maximum of 43, 563, 800 shares of our common stock for issuance under existing awards of restricted stock units (following the conversion of our outstanding phantom units granted under our phantom unit plan) and for awards that may be issued under the Incentive Plan. Any common stock that we issue, including under our 2020 Omnibus Incentive Plan or other equity incentive plans that we may adopt in the future, may result in additional dilution to our stockholders. In the future, we may also issue our securities, including shares of our common stock, in connection with investments or acquisitions. We regularly evaluate potential acquisition opportunities, including ones that would be significant to us. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then- outstanding shares of common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to our stockholders. ~~Our common stock ranks junior to the Convertible Preferred Stock with respect to the payment of dividends and amounts payable in the event of our liquidation, dissolution or winding- up of our affairs. Our common stock ranks junior to the Convertible Preferred Stock with respect to the payment of dividends and amounts payable in the event of our liquidation, dissolution or winding- up of our affairs. This means that, unless accumulated and unpaid dividends have been declared and paid, or set aside for payment, on all outstanding shares of the Convertible Preferred Stock, for all preceding dividend periods, no dividends may be declared or paid on our common stock and we are not permitted to purchase, redeem or otherwise acquire any of our common stock, subject to limited exceptions. Likewise, in the event of our voluntary or involuntary liquidation, dissolution or winding- up of our affairs, no distribution of our assets may be made to holders of our common stock until we have paid to holders of the Convertible Preferred Stock a liquidation preference equal to $ 1, 000 per share plus accumulated and unpaid dividends. Our subsidiary ACI Real Estate Company LLC, a Delaware limited liability company (" RE LLC"), which owns a significant portion of our real estate, is subject to certain restrictions under the Amended and Restated Real Estate Agreement by and between ACI Real Estate Company LLC and AL RE Investor Holdings, LLC (" RE Investor"), dated June 9, 2020 (as amended, the" Real Estate Agreement"), which could affect our ability to execute our operational and strategic objectives. Prior to June 9, 2020, we underwent a real estate reorganization. As a result of such reorganization, certain subsidiaries of RE LLC (such subsidiaries, the" SPEs") that are subsidiaries of RE LLC own the real property assets (" Real Estate Assets"), consisting of approximately 240 fee owned store properties which were to have an appraised value of approximately $ 2. 9 billion. RE LLC also deposited approximately $ 36. 5 million with an escrow agent (the" Escrow Agent") in connection with such transactions. Immediately prior to June 9, 2020, RE Holdings I, RE Holdings II, RE LLC and each of the SPEs (collectively, the" RE LLC Entities") entered into amended and restated operating agreements. Our wholly- owned subsidiary Safeway is the only member of RE Holdings I with the ability to vote on any matters. Each of the RE LLC Entities has a board of five members, which includes two independent directors. However, the RE Investor was admitted to each of the RE LLC Entities as a" Special Non- Economic Member." As a Special Non- Economic Member, the RE Investor has certain approval rights relating to the real estate portfolio, that Unitary Master Sublease between ACI Real Estate Company LLC, as landlord, and the entities set forth therein, as tenant,~~

~~dated June 9, 2020 (the" Master Lease Agreement"), affiliate transactions and the issuance of securities or other instruments that rank pari passu or senior. These approval rights could limit our ability to implement future strategic objectives. The RE Investor could exercise the Investor Exchange Right, which provides it with certain unilateral rights, upon the occurrence of specified trigger events, that could cause us to lose ownership of all or part of our indirect interest in the SPEs or their Real Estate Assets unless we redeem all of the outstanding Convertible Preferred Stock. The Real Estate Agreement provides the RE Investor with the unilateral right, upon the occurrence of specified trigger events, to exercise the Investor Exchange Right to exchange all of the outstanding Convertible Preferred Stock for certain Real Estate Assets or the equity of the SPEs holding such Real Estate Assets. The Investor Exchange Right may be exercised if any of the following were to occur: (i) the seventh anniversary of June 9, 2020, so long as any shares of Convertible Preferred Stock are outstanding, (ii) the fourth anniversary of an initial public offering, if a Fundamental Change occurs and the related Fundamental Change Stock Price is less than the conversion price, (iii) a downgrade by one or more gradations (including gradations within ratings categories as well as between ratings categories) or withdrawal of our credit rating, as a result of which our credit rating is B- (or Moody' s equivalent) or lower, (iv) the failure by us to pay a dividend on the Convertible Preferred Stock, which failure continues for 30 days after such dividend' s due date, or (v) a bankruptcy filing. The Investor Exchange Right may be exercised unless we redeem all of the outstanding Convertible Preferred Stock at a redemption price, if such redemption occurs after we receive a notice of intent to exercise the Investor Exchange Right, equal to the product of (x) the aggregate Fixed Liquidation Preference (as defined in the applicable Certificate of Designations) of the Convertible Preferred Stock of such holder then outstanding and (y) 110 %, plus accrued and unpaid dividends to, but not including, the date of redemption. However, after receiving a notice of intent to exercise the Investor Exchange Right we may not be able to effectuate the redemption at that time. If we do not redeem the Convertible Preferred Stock, the RE Investor can exercise the Investor Exchange Right by delivering to RE LLC and the Escrow Agent a notice directing the Escrow Agent to release from escrow: (1) at our election, any cash that may be held by the Escrow Agent and (2) at the RE Investor' s option, (A) special warranty deeds for the transfer to the RE Investor or its designee of Real Estate Assets (collectively, the" Transfer Instruments") with respect to the SPEs, selected in the RE Investor' s sole discretion, which collectively own Real Estate Assets having an aggregate appraised value (as set forth in an appraisal (an" Initial Exchange Appraisal") for each Real Estate Asset) equal to not more than (x) 130 % of the Real Estate Proceeds Target Amount (as defined in the Real Estate Agreement) less (y) the Cash Distribution Amount (as defined in the Real Estate Agreement), if any, multiplied by 118. 18 % or (B) Transfer Instruments with respect to the such Real Estate Assets. Upon consummation of the Real Estate Settlement (as defined in the Real Estate Agreement), the SPEs selected by the RE Investor or, in the case of Real Estate Assets selected by the RE Investor, a special purpose entity newly formed by the RE Investor will automatically enter into a master lease with the applicable tenant substantially the same as the Master Lease Agreement solely with respect to the Real Estate Assets that have been transferred, directly or indirectly to the RE Investor and the Master Lease Agreement will be amended to remove such transferred Real Estate Assets. Following the delivery of the release notice by the RE Investor to RE LLC and Escrow Agent, the RE Investor will have 180 days (the" Initial Realization Period") to sell the SPEs or Real Estate Assets that are released to the RE Investor by the Escrow Agent (the" Owned Sale Properties"). If during the Initial Realization Period, bona fide bids indicate aggregate Real Estate Proceeds (as defined in the Real Estate Agreement) that are less than the Real Estate Proceeds Target Amount, we may elect to pay cash to the RE Investor in an amount equal to the shortfall. If we do not elect to pay the shortfall, the RE Investor will have an additional 90 days (the" Subsequent Realization Period" and together with the Initial Realization Period, if any, the" Realization Period") to market Owned Sale Properties together with SPEs and / or Real Estate Assets then owned by RE LLC (collectively, the" Sale Properties"). Upon the sale of each Sale Property, the buyer will be required to enter into an amended and restated Master Lease Agreement solely with respect to the Sale Properties applicable to such buyer. If, at the conclusion of the Realization Period, the RE Investor has not received bona fide offers for the Sale Properties that would result in the RE Investor receiving Real Estate Proceeds that are at least equal to the Real Estate Proceeds Target Amount (such event a" Failed Auction"), the RE Investor can elect to have released from the escrow account all of the remaining Transfer Instruments with respect to SPEs and / or Real Estate Assets and retain any or all of the Sale Properties (such retained Sale Properties, the" Retained Properties"). If a Failed Auction occurs, during the period beginning on the expiration of the Realization Period and ending on the three year anniversary of the expiration of the Realization Period (the" ROFO Period"), if the RE Investor intends to sell Retained Properties with an aggregate appraised value (as set forth in the Initial Exchange Appraisals) of $ 250 million or more in a single sale process, RE LLC will have a right of first offer on the Retained Properties proposed to be sold (the" ROFO Properties"). RE LLC shall have 10 days following the receipt of notice by the RE Investor of the RE Investor' s intent to sell the ROFO Properties to provide a written offer to the RE Investor to purchase such ROFO Properties for cash, along with a purchase and sale agreement executed by RE LLC and 60 days following the execution by the RE Investor of such agreement to consummate such transaction. If the RE Investor rejects RE LLC' s offer, then the RE Investor shall only be permitted to sell the ROFO Properties to a third party at a purchase price that is greater than or equal to the purchase price offered by RE LLC. If RE LLC does not submit an offer or does not consummate the transaction within 60 days after the RE Investor executes the purchase and sale agreement, then the RE Investor shall be permitted to sell the ROFO Properties to a third party at a price determined by the RE Investor in its sole discretion.~~