

Risk Factors Comparison 2025-04-21 to 2024-04-22 Form: 10-K

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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. Risks Related to Our Business and Operations 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, **tariffs and trade disruptions** 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 **periods** during the past **several year years** 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~~ **A** continued increase in energy costs, including fuel, 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 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 consumers' perceptions of the economy, and 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. Governmental and regulatory changes and reductions in governmental subsidies such as **the Supplemental Nutrition Assistance Program ("SNAP")** could also materially impact our business adversely. We compete within our industry not only for customers, but also for associates. ~~We~~ **Since the beginning of the COVID-19 pandemic, we** have faced a competitive labor market due to **labor cost increases**, labor shortages and turnover. Our inability to invest in, manage costs and keep pace with technological changes, including those adopted by our competitors, may adversely impact our business initiatives and affect our financial performance. We may be limited in our ability to implement automation-related technological changes in certain of our operations if we are unable to negotiate appropriate terms in our contracts with our labor unions. 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. 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. 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. While we have entered into contracts to reduce the impact of volatile energy and fuel costs for our future energy needs, volatility that exceeds offsetting contractual arrangements could adversely affect our results of operations. Failure to realize anticipated benefits from our productivity initiatives could adversely affect our financial performance and competitive position. While we have identified and are implementing a broad range of specific productivity initiatives to help offset cost inflation, increase growth and improve earnings, the savings from these productivity initiatives represent management's estimates and remain subject to risks and uncertainties. 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. Also, certain of our initiatives may involve **up-front costs or** significant changes to our operating processes and systems that could result in disruptions in our operations and impact our results of operations. We may be adversely impacted by environmental, social and governance matters, including inability 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, animal 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 can be widely publicized. ~~We~~ **Given our commitment to ESG, we** have **historically** established and publicly announced certain goals, commitments, and targets which we may change 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 anticipated. 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; **governmental and nongovernmental responses to certain ESG goals**; unforeseen operational and technological difficulties; changes in investment assessments or increases in projected investments and our ability to invest accordingly; changes in frameworks we have agreed to; actions by our competitors in setting or achieving similar goals; 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, or perceived lack of intensity of our commitment to ESG initiatives or to otherwise meet evolving and varied stakeholder expectations could damage our reputation and customer, investor and other stakeholder

relationships, and may even result in regulatory enforcement action. **Our ESG commitments may also encounter pushback from parties with "anti-ESG" sentiments, which could subject us to scrutiny and reputational harm.** Such conditions could have an adverse effect on our business, results of operations and financial condition. Risks Related to the Merger 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 is subject to the satisfaction of various covenants and agreements, including, among others the expiration or termination of the applicable waiting period (and any extension thereof) 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 divestiture plan with C & S Wholesale Grocers, LLC, 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 decisions 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 Merger 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; • 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. 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. However, we 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 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. On February 26, 2024, the United States Federal Trade Commission ("FTC") issued an administrative complaint and authorized a lawsuit in federal court to enjoin the Merger. A group of nine states joined the FTC complaint and two states have filed suits in respective state courts to enjoin 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 and any transactions contemplated by the Merger under the HSR Act, and resolution with the FTC and the states who have filed or may file suit. We cannot provide any assurance that we or Kroger will prevail in court or obtain the necessary approvals to complete the Merger. Failure to prevail in any legal challenge to the Merger may result in the delay or abandonment of the Merger. 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.

Risks Related to Our Industry 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. In addition to new entrants to the market, we face strong competition from existing supercenters, other brick and mortar food and / or drug retailers, club stores, dollar and discount stores, grocery outlets, online retailers and distributors, specialty and niche supermarkets, **" limited assortment" stores,** 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. Although we have accelerated the expansion of our digital business to offer our customers the ability to shop online for both ~~home delivery and~~ Drive Up & Go curbside pickup **and home delivery**, 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 because 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, **fresh,** price, service, convenience and selection and our ability to leverage existing and emerging digital technologies. In each of these areas, other companies compete with us and may successfully attract our customers by matching or exceeding what we offer or by providing greater shopping convenience or better offerings. 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 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 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 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, have greater financial resources available to them or sell a diversified mix of non- food products, and, therefore, may be able to devote greater resources to grow their share of retail food sales or offset lower food margins with higher- margin non- food products. Price investment by our competitors has also 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, **replicating- replicate** competitor capabilities, **making- make** appropriate investments, **managing- manage** product and 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~~. **This allows** them to more effectively leverage their fixed costs or more easily reduce operating expenses. Changes in our product mix also may negatively affect our profitability. Our inability to adequately control and prevent shrink has impacted our results of operations and could impact our results of operations in the future. 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- efficiencies~~ 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, our success depends, in part, on effectively anticipating evolving trends in demographics and responding to changing consumer preferences and demands. It is difficult to predict consistently and successfully the products and services our customers will demand over time. Failure to timely identify or effectively respond to changing consumer tastes, preferences and spending patterns could lead us to offer our customers a mix of products, **methods to purchase 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, **purchase less through other methods** and **decrease** 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- could~~ **adversely- negatively** affect the demand for our products and services and our market share **which may** and ~~could have an adverse- adversely impact~~ effect on our financial **condition** performance, margins, and **results of operating operations** income. Consolidation in the healthcare industry could adversely affect our ~~business and~~ financial condition **and results of operations**. 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, **increase productivity** 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, **725-728 in-store** pharmacies. As a result, we are exposed to risks inherent in the packaging, dispensing, billing, display, distribution and disposal of pharmaceuticals and other healthcare products, including risks of liability for products such as opioids. 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 because 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 are enrolled in government healthcare programs and must be licensed by the respective state government. The licensing and enrollment 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. Because 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 operations or assure that we will be able to obtain or maintain the regulatory approvals required to operate our **pharmacy** business. Risks Related to Our Supply Chain 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, **current and future tariffs arising from international trade disputes**, foreign conflicts or other catastrophic or unexpected occurrences such as a pandemic like COVID- 19. We expect our suppliers to comply with applicable laws, including labor, safety and environmental laws. Our ability to find qualified suppliers who uphold our standards and requirements for products, including fresh, and to access such products in a timely and operationally efficient manner in volumes we may demand may become a significant challenge. 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, **inability of our workforce to work at our facilities**, reduction in customer traffic and generally a reduction in the availability of products in our stores. In addition, adverse climate conditions, weather patterns and their respective impacts such as drought, flood, wildfires, mudslides and **rising changing** 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, 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 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 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 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. 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, 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 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, **the inability to sell those products** 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 **in our products** and product recalls **or withdrawals**, which could have a material adverse effect on our business. Fuel prices and availability may adversely affect our results of operations. We currently operate **402-405** fuel centers that are adjacent to many of our store locations. As a result, we sell a significant amount of gasoline and diesel fuel. Increased regulation or significant increases in wholesale fuel costs **and fuel taxes** could result in lower gross margins on fuel sales, and demand could be negatively impacted 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 to any of the preceding matters, which could adversely affect our results of operations. Increased commodity prices may adversely impact our profitability. 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 can be impacted by global conflicts such as the impact on wheat and corn prices by the armed conflict between Russia and Ukraine **and tariffs arising from international trade disputes, trade wars and inflation. For example, the recently implemented tariffs on products imported from certain countries may increase commodity prices for products**. 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 are significant inflationary pressures. 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. Risks **Relating to the Terminated Merger with Kroger Our inability to execute on our standalone business strategies following the termination of the Merger Agreement could have a material adverse effect on our business, results of operations, and financial condition. From October 2022 to December 2024, the uncertainties and restrictions on our business imposed by the Merger Agreement limited us from pursuing certain business opportunities and taking actions which may have been beneficial to our business and operations during this period. If we are unable to successfully optimize the acceleration of our Customers for Life strategy and other value- creating initiatives after the termination of the Merger Agreement, our business, operating results or financial condition could be materially adversely affected. The termination of the Merger Agreement and the related legal proceedings may cause us to incur substantial costs and could otherwise adversely affect our business, financial results and operations. As disclosed elsewhere in this Form 10- K, the Company has filed a lawsuit against Kroger in the Delaware Court of Chancery, bringing claims for willful breach of contract and breach of the covenant of good faith and fair dealing arising from Kroger's failure to exercise " best efforts" and to take " any and all actions" to secure regulatory approval, as was required of Kroger under the terms of the Merger Agreement. Kroger also delivered a termination notice to the Company, alleging that the Company's termination notice was not effective, and that Kroger had no obligation to pay the \$ 600 million termination fee because the Company allegedly failed to perform and comply in all material respects with its covenants under the Merger Agreement. Kroger has also filed counterclaims against us for alleged breaches of the Merger Agreement. In addition to our litigation with Kroger, we may face other lawsuits related to the terminated Merger. We intend to vigorously defend against these and any other legal proceedings arising from the terminated Merger Agreement, but due to the uncertainties inherent in any legal proceedings, we cannot predict an outcome. Also, legal proceedings are expensive and could result in significant costs to us, including any costs we may be required to pay in connection with the legal proceedings with Kroger. These significant costs, along with our inability to collect the termination fee of \$ 600 million from Kroger could have a material adverse effect on our business, operating results, and financial condition. Risks** Related to Our Workforce 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 **24-22, 2024-2025**, approximately **200-195**, 000 of our employees were covered by collective bargaining agreements. During fiscal **2023-2024**, collective bargaining agreements covering approximately **32-17**, 500 employees expired and were successfully renegotiated. In fiscal **2024-2025** collective bargaining agreements covering approximately **28-120**, **500-000** employees are scheduled to expire. 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. 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 (**participating ACI consolidated subsidiaries**), such that each member of our control group is potentially liable for the defined benefit plans of each other member of the control group. Based on an assessment of the most recent information available, we believe that ~~most~~ **a majority** 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 to be the guarantor for any of the underfunding of multiemployer plans to which we contribute, as of December 31, ~~2023~~ **2024**, 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 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. **Our estimate of the Company's allocable share of the underfunding of multiemployer plans to which we contribute was approximately \$ 4.9 billion.** The American Rescue Plan Act ("ARP Act") ~~establishes~~ **established** a special financial assistance program for financially troubled multiemployer pension plans. Under the ARP Act, eligible multiemployer plans can apply to receive ~~funding a one-time cash payment~~ in the amount needed to pay pension benefits through the plan year ending 2051. We participate in ~~16~~ **15** multiemployer plans ~~that may be eligible for the special financial assistance~~, **of which four have received special financial assistance funds as of February 22, 2025, reducing our estimated \$ 4.9 billion allocable share of the underfunding to approximately \$ 3.6 billion. For additional information, see "Part II — Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Multiemployer Pension Plans."** In the event we were to exit certain markets or otherwise cease contributing to multiemployer plans, we could trigger a substantial withdrawal liability. Such withdrawal liability may have a material adverse impact on our financial results. We are also the sponsors of defined benefit retirement plans for certain employees. 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. ~~Wages~~ **The minimum wage continues to increase and is** ~~is~~ **are** 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 **localities or** 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, in California and New Jersey, where we employed 70,000 and 8,000 associates, respectively, as of February 24, 2024, the current minimum wage was increased to \$ 16.00 per hour and \$ 15.13 per hour, respectively, effective January 1, 2024.~~ 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~~ **are** ~~increase~~ **increasing** 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 train**, 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~~ **We believe that our successful -- success** implementation of ~~is directly~~ **linked to the competent people in the Company, including** our executive officers and other key personnel. **Personnel turnover can be costly and could materially and adversely impact our operating results and potentially jeopardize the success of our Customers for Life strategy. Our** business strategy depends in large part upon the ability and **operating results may be adversely impacted if we fail** 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 **recruit key** 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~~. Legal and Regulatory Risks Unfavorable changes in government regulation may have a material adverse effect on our business. We operate our business within strict and complex regulatory environments and could be materially adversely affected by changes to, and / or any failure to comply with, existing and new legal requirements. In addition, our industry faces significant political, societal, and media scrutiny, and we may be subject to frequent or increasing challenges which may impact our reputation and business. Additionally, shifts in enforcement practices or regulatory scrutiny generally cannot be anticipated or predicted or our predictions may not be accurate. If we fail to predict or respond adequately to regulatory changes or expanding disclosure requirements, or do not respond as effectively as our competitors, our reputation, business, operations, and financial performance may be adversely affected. Political, governmental, and regulatory regimes and practices can **evolve quickly change** as a result of elections or other events **beyond our over which we have little to no** control. Such changes, including those which **have and** may occur **under the new administration** due to elections held in 2024, are unpredictable and may have negative impacts on our business and operations. Compliance with laws, regulations, policies, and enforcement practices may become challenging requiring operational changes which may be difficult to implement, increase our operating costs, require significant capital expenditures, or result in adverse publicity and harm our reputation. 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 **adversely** affect our **earnings 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 policies** 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 expose us to potentially significant liabilities. Our operations, including our **402 405** 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. In the course of conducting our business, arising in or outside of the ordinary course, we are and may become a party to various legal proceedings, including class actions in matters involving personnel and employment issues, federal and state wage and hour laws, 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 fiduciary and securities claims. We may also become subject to governmental and regulatory inquiries related to our operations. We estimate our exposure to legal proceedings and establish reserves for the estimated liabilities. We are unable to predict the outcome of any litigation, investigation or any action by governmental entities and can provide no assurance as to the scope and outcome of these matters and whether our business, financial position, results of operations or cash flows will not be materially adversely affected. ~~We use~~ **The inability to insure or have adequate amounts of insurance against the risks we face may have** a combination ~~material adverse impact on our results of operations~~ 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, 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~~ **State- specific** states ~~statutes adopt~~ **and legislation may result in an**

~~increase to our~~ 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. Risks Related to Information Security, Cybersecurity, Data Privacy and Evolving Technologies 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 financial condition and operating results. We have complex 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~~ **denial of service attacks**, **malware** ~~malicious programs~~ and other cyber incidents. If we fail to timely or 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 to our business and operations. These risks may be further exacerbated by the deployment and use of cloud-based enterprise solutions. In a cloud computing environment, we ~~are~~ **could be** subject to outages by third-party service providers and security breaches to their systems, which we may have little control over. In the case of a cloud computing outage, the reconstitution of our business services running on those computing resources will be dependent on the third-party hosting provider restoring availability. 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 change frequently and often cannot be recognized until launched against a target; accordingly, we may not be able to anticipate these frequently changing techniques, implement adequate preventive measures for all of them or remediate any unauthorized access on a timely basis. In addition, ongoing geopolitical conflicts **and the development of sophisticated artificial intelligence systems** may increase the risk of cyberattacks which could impact our operations. Any unauthorized access into our customers' sensitive information, data belonging to us or our 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 **or public disclosures**, potential litigation, liability, fines and penalties and consent decrees, resulting in a possible material adverse impact on our 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. **Additionally** 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~~ **consumer data privacy, data protection and related** laws, could be significant. The loss of confidence from a data security incident involving our customers, employees or vendors could materially adversely affect our financial condition and operating results. We receive ~~and~~ **store and transmit** personal information in connection with our business, including **information** from processing credit card data, digital marketing, and human resources records. **The legal landscape surrounding privacy and cybersecurity is constantly changing, leading to stricter requirements for the processing of personal information. Meeting these obligations poses challenges, as any missteps could result in fines, government scrutiny, and lawsuits from individuals and regulators. Violations, or even perceived violations, of privacy, can adversely affect the trust that customers, employees, and vendors place in us regarding their personal information.** The protection of our customer, 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 as a result of cyberattacks on our information systems, the 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 claims from customers, associates, financial institutions and payment card associations. 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 and materially adversely affect our financial condition and operating results. We and our third parties may use artificial intelligence in our business, which could result in competitive and reputational harm, and legal liability, and adversely affect our results of operations. We and our third parties are increasingly incorporating artificial intelligence ("AI") solutions into our operations, systems, and services. **Developing and incorporating AI solutions into our business is uncertain and may result in increased costs and business disruptions without a corresponding benefit.** Our competitors may incorporate AI into their products **and services** more quickly or more successfully than us, which could impair our ability to compete effectively in the market. Additionally, if the content, analyses, or recommendations that AI applications

assist in producing are or are alleged to be deficient, inaccurate, or biased, or infringe on existing intellectual property, our business, financial condition, and results of operations may be adversely affected. AI presents emerging ethical issues and could pose potential harms to our customers, patients, and associates and if our use of AI becomes controversial, we may experience competitive harm, brand or reputational harm, or legal liability. AI also presents a new attack surface that cybercriminals will attempt to exploit as well as providing means to scale and automate targeted attacks. The rapid evolution of AI, including expected government regulation of AI and automated decision making, requires resources, formalized AI governance, a commitment to the ethical and responsible use of data, and processes to best meet these challenges. If we fail to adopt AI in a thoughtful and strategic manner, the risks above may be exacerbated.

Risks Related to Our Indebtedness Our indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under our indebtedness. As of February 24, 2024, we had approximately \$ 7.75 billion of debt outstanding (other than finance lease obligations), and, subject to our borrowing base, we would have been able to borrow an additional \$ 3.4 - 8.0 billion under our asset-based loan ("ABL") facility (the "ABL Facility"). As of February 24, 2024, we and our subsidiaries had approximately \$ 0.54 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 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 restructure of the applicable debt. We may incur substantially more debt in the future. We and our subsidiaries may 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 12-6", 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.

~~On February 15, 2023, we entered into a LIBOR Transition Amendment with the lenders under the ABL Facility, which, among other things, replaced LIBOR with a term SOFR (of terms of one, three or six months, or if available, other periods of twelve months or less). Since the initial publication of SOFR, daily changes in the rate have, on occasion, been 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 costs under the ABL Facility.~~ 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 can obtain new financing, it may not be on commercially reasonable terms, or terms that are acceptable to us. Increases in interest rates, 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, working capital needs and to finance future acquisitions. Daily working capital requirements are typically financed with operational cash flow and use of our ABL Facility. The interest rate on these borrowing arrangements is generally determined from **a borrowing** ~~the inter-bank offering~~ rate at the borrowing date plus a pre- set margin. 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.

Risks Related to Owning Our Common Stock 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~~ **stock market volatility in response to macroeconomic and global events** ~~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; ~~the~~ **impact of our stock repurchase program**; future sales of our common stock by our largest stockholder; ~~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; and ~~litigation involving us, our industry, or both~~. Our largest stockholder is Cerberus, which may have conflicts of interest with other stockholders in the future. Cerberus ~~controls~~ **beneficially owns** in the aggregate approximately 26 % of our common stock and Cerberus has certain governance rights pursuant to a Stockholders' Agreement. As a result, Cerberus may be able to influence (i) the election of our directors, (ii) our corporate and management policies and (iii) other matters submitted to our stockholders for approval. The interests of Cerberus may not coincide with the interests of other holders of our common stock. Additionally, Cerberus is 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 may also pursue, for 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 continues to own a significant amount of the outstanding shares of our common stock, Cerberus will continue to be able to strongly influence our decisions. Provisions in our charter documents and Delaware law 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 the ability of stockholders to make changes in our governance that they may consider advantageous or desirable. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace members of our ~~board~~ **Board of directors** ~~Directors (the "Board")~~. Because our ~~board~~ **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. Our certificate of incorporation authorizes our ~~board~~ **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~~ **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~~ **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. 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. Holders of our common stock are only entitled to receive such cash dividends as our ~~board~~ **Board of directors**, in its sole discretion, may declare out of funds legally available for such payments, including minimum capital requirements and 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, or any that we 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.