Risk Factors Comparison 2023-08-25 to 2022-08-29 Form: 10-K

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Investing in our Class A common stock involves a high degree of risk. You should consider carefully the material factors, risks and uncertainties described below that make an investment in our Company speculative or risky, together with all of the other information in this Form 10- K, including the section titled " Management' s Discussion and Analysis of Financial Condition and Results of Operations " and our consolidated financial statements and the accompanying notes included elsewhere in this Form 10- K, before deciding whether to invest in shares of our Class A common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, operating results, and future prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment. Risk Factor Summary The risks and uncertainties to which our business is subject, include, but are not limited to, the following: • If we are unable to attract additional merchant partners and / or commerce platforms (collectively " merchants " or " merchant partners, " as applicable), retain our existing merchant partners, and grow and develop our relationships with new and existing merchant partners, our business, results of operations, financial condition, and future prospects would be materially and adversely affected. • If we are unable to attract new consumers and retain and grow our relationships with our existing consumers, our business, results of operations, financial condition, and future prospects would be materially and adversely affected. • We operate in a highly competitive industry, and our inability to compete successfully would materially and adversely affect our business, results of operations, financial condition, and future prospects. • We rely on a small number of merchant partners and e- commerce platforms, and the loss of any of these significant relationships would adversely affect our business, results of operations, financial condition, and future prospects. • We may not be able to sustain our revenue and GMV growth rates, or our growth rate of related key operating metrics, in the future. • The success of our business depends on our ability to work with ~~our~~ originating bank partners to enable effective underwriting of loans facilitated through our platform and accurately price credit risk. We **currently** rely on ~~Cross River Bank and~~ Celtic Bank to originate ~~a substantial~~ **substantially** ~~majority~~ **all** of the loans facilitated through our platform. If our ~~agreements~~ - **agreement** with ~~Cross River Bank or~~ Celtic Bank ~~are~~ **is** terminated, and we are unable to replace ~~the~~ **their** commitments ~~of these originating bank partners~~, our business, results of operations, financial condition, and future prospects would be materially and adversely affected. • We rely on a variety of funding sources to support our business model. If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, it could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects. • If loans facilitated through our platform do not perform, or significantly underperform, we may incur financial losses on the loans we purchase and we hold on our balance sheet, or lose the confidence of our funding sources. • To the extent we seek to **execute** ~~grow through future~~ acquisitions, ~~or other~~ strategic investments ~~or~~ **,** alliances, **divestitures or other transactions,** we may ~~not~~ be ~~able~~ **unable** to ~~do so effectively~~ **achieve the strategic objectives of these transactions, and such transactions may be disruptive to our ongoing operations** . • The loss of the services of our Founder and Chief Executive Officer, as well as our inability to attract and retain highly skilled employees, could materially and adversely affect our business, results of operations, financial condition, and future prospects. • We have a history of operating losses and may not achieve ~~or sustain~~ **sustained** profitability ~~in the manner and timeframe we have publicly communicated~~. • Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business. • Litigation, regulatory actions and compliance issues could subject us to fines, penalties, judgments, remediation costs, requirements resulting in increased expenses and reputational harm. • ~~Changes~~ **Further increases** in market interest rates could have an adverse effect on our business. • Our revenue is impacted, to a significant extent, by the general economy, the creditworthiness of the U. S. consumer and the financial performance of our merchants. • If our collection efforts on delinquent loans are ineffective or unsuccessful, the performance of the loans would be adversely affected. • Any significant disruption in, or errors in, service on our platform or relating to vendors, including events beyond our control, could prevent us from processing transactions on our platform or posting payments and have a material and adverse effect on our business, results of operations, financial condition, and future prospects. • Our ability to protect our confidential, proprietary or sensitive information, including the confidential information of consumers on our platform, may be adversely affected by cyber- attacks, employee or other internal misconduct, computer viruses, physical or electronic break- ins or similar disruptions. • Our business is subject to extensive regulation, examination, and oversight in a variety of areas, all of which are subject to change and uncertain interpretation. Changing federal, state and local laws, as well as changing regulatory enforcement policies and priorities, including changes that may result from changes in the political landscape, may negatively impact our business, results of operations, financial condition, and future prospects. • If our originating bank partner model is successfully challenged or deemed impermissible, we could be found to be in violation of licensing, interest rate limit, lending, or brokering laws and face penalties, fines, litigation, or regulatory enforcement. • The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Class B common stock, including our executive officers, employees and directors and their affiliates. As a result of our dual class structure of our common stock, the trading price of our Class A common stock may be depressed. For a more complete discussion of the material risks facing our business, see below. Risks Related to Our Business and Industry If we are unable to attract additional merchant partners, retain our existing merchant partners, and grow and develop our relationships with new and existing merchant partners, our business, results of operations, financial condition, and future prospects would be materially and adversely affected, as could the market price of our Class A common stock. We derive a significant portion of our revenue from our relationships with merchant partners and the transactions they process through our platform, and as more merchants are integrated into our network, there are more reasons for consumers to shop with us. Our ability to retain and grow our relationships with our merchant partners depends on the willingness of merchants to partner with us. The attractiveness of our platform to merchants depends upon, among other things: the size of our consumer base; our brand and reputation; the amount of merchant fees that we charge; our ability to sustain our value proposition to merchants for customer acquisition by demonstrating higher conversion at checkout and increased AOV; the attractiveness to merchants of our technology and data- driven platform; services and products offered by competitors; and our ability to perform under, and maintain, our merchant agreements. Furthermore, having a diversified mix of merchant partners is important to mitigate risk associated with changing consumer spending behavior, economic conditions and other factors that may affect a particular type of merchant or industry. Our continued success also is dependent on our ability to successfully grow and develop relationships with our merchant partners, particularly early- stage relationships with large e- commerce retailers such as Amazon. The pace of development, integration and rollout of these early- stage relationships is often unpredictable and is generally not within our control. Many of our agreements with our merchant partners are non-exclusive and lack any transaction volume commitments. Accordingly, these merchant partners may have, or may enter into in the future, similar agreements with our competitors, which could adversely affect our ability to drive the level of transaction volume and revenue growth that we seek to achieve or to otherwise satisfy the high expectations of our investors and financial analysts relating to those relationships. While some of our agreements with our merchant partners **have** ~~, including Amazon, do provide~~ **provided** for a period of exclusivity, those periods may be limited in duration, and we may not be able to negotiate extensions of those exclusivity periods on reasonable terms, if at all **. If an exclusivity period with a merchant partner lapses, we may experience a decrease in GMV with the merchant partner, which may adversely impact our results of operations** . In addition, our agreements with our merchant partners generally have terms that range from approximately 12 months to 36 months, and our merchants can generally terminate these agreements without cause upon 30 to 90 days' prior written notice. We may, therefore, be compelled to renegotiate our agreements with merchant partners from time to time, possibly upon terms significantly less favorable to us than the terms included in our existing agreements with those merchant partners. Our revenue is derived from consumer transaction volume, so our success depends on our ability to generate repeat use and increased transaction volume from existing consumers and to attract new consumers to our platform. Our ability to retain and grow our relationships with consumers depends on the willingness of consumers to use our platform and products. The attractiveness of our platform to consumers depends upon, among other things: the number and variety of merchants and the mix of products available through our platform; **the manner in which consumers may use our products, including the ease of use relative to competitor products;** our brand and reputation; consumer experience and satisfaction, including the trustworthiness of our services; consumer trust and perception of our solutions; technological innovation; and services and products offered by competitors. If we fail to retain our relationship with existing consumers, if we do not attract new consumers to our platform and products, or if we do not continually expand usage and volume from consumers on our platform, our business, results of operations, financial condition, and prospects would be materially and adversely affected. We operate in a highly competitive and dynamic industry. Our technology platform faces competition from a variety of players, including those who enable transactions and commerce via digital payments. Our primary competition consists of: legacy payment methods, such as credit and debit cards, including those provided by card issuing banks such as Synchrony, J. P. Morgan Chase, Citibank, Bank of America, Capital One, ~~Goldman Sachs~~ **Bread Financial** and American Express; technology solutions provided by payment companies such as Visa and MasterCard; mobile wallets such as Apple and PayPal; ~~and~~ other pay- over- time solutions offered by companies such as Block and Klarna **; and** ~~, as well as~~ new pay- over- time offerings by legacy financial and payments companies, including those mentioned above **. Additionally, merchants are increasingly offering proprietary pay- over-time options to customers, and in some cases, these are presented parallel to our offerings at checkout** . We expect competition to intensify in the future, especially as the pay- over- time industry has low barriers to entry, both as emerging technologies continue to enter the marketplace and as large financial incumbents increasingly seek to innovate the services that they offer to compete with our platform. Technological advances and the continued growth of e- commerce activities have increased consumers' accessibility to products and services and led to the expansion of competition in digital payment options such as pay- over- time solutions **. We expect that our pay- over- time offerings may increasingly be presented alongside competitor options at checkout** . Some of our competitors, particularly the credit issuing banks set forth above, are substantially larger than we are and have longer operating histories than we do, which gives those competitors advantages we do not have, such as a more diversified products, a broader consumer and merchant base, greater brand recognition and brand loyalty, the ability to reach more consumers, the ability to cross sell their products, operational efficiencies, the ability to cross-subsidize their offerings through their other business lines, more versatile technology platforms, broad- based local distribution capabilities, and lower- cost funding. In addition, because many of our competitors are large financial institutions that fund themselves through low- cost insured deposits and continue to own the loans that they originate, they have certain revenue and funding opportunities not available to us. Increased competition could result in the need for us to alter the pricing we offer to merchants or consumers. If we are unable to successfully compete, the demand for our platform and products could stagnate or substantially decline, and we could fail to retain or grow the number of consumers or merchants using our platform, which would reduce the attractiveness of our platform to other consumers and merchants, and which would materially and adversely affect our business, results of operations, financial condition, and future prospects. ~~Our~~ **As discussed in Part II, Item 7 – " Management' s Discussion and Analysis of Financial Condition and Results of Operations, " and as may be updated from time** ~~top~~ **to** ~~ten~~ **time in the Company' s future periodic reports and other filings with the SEC, a single** ~~merchants~~ **merchant** ~~in the aggregate~~ **partner or e- commerce platform, or a small number of merchant partners or e- commerce**

platforms, may ~~represented~~ -- **represent a disproportionately large amount** ~~approximately 14 %, 25 %, and 35 %~~ of our ~~total~~ revenue **and /** ~~for~~ - **or GMV during any given fiscal period** ~~the years ended June 30, 2022, 2021, and 2020, respectively~~ . The loss of **, or decrease in business with,** any one of our significant merchant partner or e- commerce platform relationships, such as with Amazon or Shopify, due to a lapse in exclusivity or otherwise, would adversely affect our business **. To the extent that any merchant partner or e- commerce platform constitutes a material portion of our total revenue or GMV for a fiscal period for which financial results are being reported in a Quarterly Report on Form 10- Q or Annual Report on Form 10- K, we will disclose the respective percentage contribution in our " Management' s Discussion and Analysis of Financial Condition and Results of Operations " for that period** . The concentration of a significant portion of our business and transaction volume with a limited number of merchant partners or e- commerce platforms, or type of merchant or industry, exposes us disproportionately to any of those merchants choosing to no longer partner with us or choosing to partner with a competitor, to the economic performance of those merchants or industry or to any events, circumstances, or risks affecting such merchants or industry. In addition, a material modification in the production levels (including supply chain issues impacting component parts of products sold by our merchant partners) and / or financial operations of any significant merchant partner could affect the results of our operations, financial condition, and future prospects. There can be no ~~assurances~~ - **assurance** that our revenue and GMV will continue to grow as they have in ~~recent~~ **prior** periods, and we expect our revenue and GMV growth rates to decline in future periods. Many factors may contribute to declines in our revenue and GMV growth rates, including increased competition, slowing demand for our products from existing and new consumers, transaction volume and mix (particularly with our significant merchant partners), lower sales by our merchants (particularly those with whom we have significant relationships), general economic conditions, a failure by us to continue capitalizing on growth opportunities, changes in the regulatory environment and the maturation of our business, among others. The revenue, GMV or key operating metrics for any prior quarterly or annual period should not be relied on as an indication of our future performance. If our revenue and GMV growth rates decline, we may not achieve **sustained** profitability ~~as expected~~ , and our business, financial condition, results of operations and the price of our Class A common stock would be adversely affected. The success and growth of our business depends upon our ability to continuously innovate and develop new products and technologies. Our solution is a technology- driven platform that relies on innovation to remain competitive. The process of developing new technologies and products, such as Affirm **Card** ~~Debit~~ with pay- over- time functionality, is complex, and we **seek to** build our own technology using the latest in artificial intelligence and machine learning (" AI / ML "), cloud- based technologies, and other tools to differentiate our products and technologies. In addition, our dedication to incorporating technological advancements into our platform requires significant financial and personnel resources and talent. Our development efforts with respect to these initiatives could distract management from current operations and could divert capital and other resources from other growth initiatives important to our business. We operate in an industry experiencing rapid technological change and frequent product introductions. We may not be able to make technological improvements as quickly as demanded by our consumers and merchants, or we may not be able to accurately predict the demand or growth of our technological investments, which could harm our ability to attract consumers and merchants and have a material and adverse effect on our business, results of operations, financial condition, and future prospects. In addition, we may not be able to effectively implement new technology- driven products and services, including Affirm **Card** ~~Debit~~ , as quickly as competitors or be successful in marketing these products and services to consumers and merchants. Moreover, the profile of potential consumers using our new products and technologies also may not be as attractive as the profile of the consumers that we currently serve **or have served in the past** , which may lead to higher levels of delinquencies or defaults than we have historically experienced. If we are unable to successfully and timely innovate and continue to deliver a superior merchant and consumer experience, we could experience reputational damage and decreased demand for our products and technologies and our growth, business, results of operations, financial condition, and future prospects could be materially and adversely affected. Further, we use AI / ML in many aspects of our business, including fraud, credit risk analysis, and product personalization. The AI / ML models that we use are trained using various data sets. If the AI / ML models are incorrectly designed, the data we use to train them is incomplete, inadequate, or biased in some way, or we do not have sufficient rights to use the data on which our AI / ML models rely, the performance of our products, services, and business, as well as our reputation, could suffer or we could incur liability through the violation of laws, third- party privacy, or other rights, or contracts to which we are a party. For instance, discrepancies between the data signals used in the AI / ML model training data set and our online decisioning environment for our risk model may lead to incorrect decisions and errors in certain scenarios. Steps taken to prevent errors in the future may not be sufficient to prevent other discrepancies from arising in the future. Our failure to accurately predict the demand or growth of our new products and technologies also could have a material and adverse effect on our business, results of operations, financial condition, and future prospects. New products and technologies are inherently risky, due to, among other things, risks associated with: the product or technology not working, or not working as expected; consumer and merchant acceptance; technological outages or failures; increased regulatory scrutiny; and the failure to meet consumer and merchant expectations. As a result of these risks, we could experience increased claims, reputational damage, or other adverse effects, which could be material. The profile of potential consumers using our new products and technologies also may not be as attractive as the profile of the consumers that we currently serve **or have served in the past** , which may lead to higher levels of delinquencies or defaults than we have historically experienced. Additionally, we can provide no assurance that we will be able to develop, commercially market, and achieve acceptance of our new products and technologies. In addition, our investment of resources to develop new products and technologies and make changes or updates to our platform may either be insufficient or result in expenses that exceed the revenue actually generated from these new products. Failure to accurately predict demand or growth with respect to our new products and technologies could have a material and adverse effect on our business, results of operations, financial condition, and future prospects. We ~~believe that~~ **currently rely** ~~one~~ - **on Celtic Bank to originate substantially all** of **the loans**

facilitated through ~~our core competitive advantages, and a core tenet of~~ our platform ~~, is~~ **. If** our **relationship** ~~ability to work~~ with **Celtic Bank terminates, or if Celtic Bank were to suspend, limit, or cease its operations or loan origination activities for** ~~an~~ **any reason, and we are unable to engage another** originating bank partner ~~to use our data- driven risk model to enable the effective underwriting of loans facilitated through our platform and to accurately and effectively price credit risk. Any deterioration in the performance of the loans facilitated through our platform, or unexpected losses~~ on ~~such loans~~ **a timely basis or at all** , **our business, results of operations, financial condition, and future prospects** would **be** materially and adversely ~~affect~~ **affected** ~~our business and results of operations~~ . ~~Loan repayment underperformance would impact our interest-~~ **As of the end of the second quarter of fiscal 2023, we** ~~related~~ **relied** ~~and gain- on- sale income generated from loans we purchase from our originating bank partners, which are underwritten in accordance with the bank' s credit policy. Additionally, incremental charge- offs may affect future credit decisioning, growth of transaction volume, and the amount of provisions for underperforming loans we will need to take. We rely~~ on Cross River Bank and Celtic Bank to originate a ~~substantial~~ majority of the loans facilitated through our platform and to comply with various federal, state, and other laws **, with the balance of the loans facilitated on our platform being originated directly under our lending, servicing, and brokering licenses in Canada and across various states in the United States through our consolidated subsidiaries** . **During the first half of fiscal 2023, we began accelerating the execution of an existing strategy of identifying and engaging new originating bank partners in order to diversify our sources of loan originations. In January 2023, we made the strategic decision to begin reducing the volume of loans originated by** Cross River Bank **on our platform while at the same time continuing our ongoing work to identify** and **engage new originating bank partners. Consequently, as of the end of the third quarter of fiscal 2023,** Celtic Bank ~~each~~ **originates substantially all partner bank originated loans facilitated through our platform. As a result, the risks discussed in the paragraphs below relating to our reliance on Celtic Bank have increased and will remain as such unless and until we complete the process of engaging, onboarding and scaling our relationship with one or more new originating bank partners. The process of engaging, onboarding and scaling with new originating bank partners is inherently uncertain, and there can be no assurances as to when we will be able to complete that process. For example, although we engaged and onboarded a new originating bank partner during the fourth quarter of fiscal 2023, it may take longer than we expect before this new originating bank partner becomes able to originate a meaningful percentage of loans facilitated through our platform. Celtic Bank** ~~handle~~ **handles** a variety of consumer and commercial financing programs. The ~~Cross River Bank and~~ Celtic Bank loan program ~~agreements~~ - **agreement** ~~have~~ **has an** initial three- year ~~terms~~ - **term** , ~~each ending~~ **which is scheduled to expire** in calendar year 2023 **and will automatically renew in one- year terms thereafter unless either party provides notice of its intent not to renew** . In addition, upon the occurrence of certain early termination events, either we or ~~either of Cross River Bank and~~ Celtic Bank may terminate the ~~applicable~~ loan program ~~agreements~~ - **agreement** immediately upon written notice to the other party. Our ~~Cross River Bank and~~ Celtic Bank loan program ~~agreements~~ - **agreement** ~~do~~ **does** not prohibit ~~Cross River Bank or~~ Celtic Bank ~~, as applicable,~~ from working with our competitors or from offering competing services, and ~~Cross River Bank and~~ Celtic Bank ~~each~~ currently ~~offer~~ **offers** loan programs through other competing platforms. ~~Cross River Bank and / or~~ Celtic Bank could decide not to work with us for any reason, could make working with us cost- prohibitive, or could decide to enter into an exclusive or more favorable relationship with one or more of our competitors. In addition, ~~Cross River Bank and / or~~ Celtic Bank may not perform as expected under our loan program ~~agreements~~ - **agreement** . We could in the future have disagreements or disputes with ~~Cross River Bank and / or~~ Celtic Bank, which could negatively impact or threaten our relationship with other originating banks with whom we may seek to partner. For a further discussion of our ~~relationships~~ - **relationship** with ~~Cross River Bank and~~ Celtic Bank, particularly the regulations applicable to this relationship, see " Business — Regulatory Environment. " If ~~Cross River Bank and / or~~ Celtic Bank were to suspend, limit, or cease ~~their~~ **its** operations **or loan origination activities for any reason** , or if our relationship with ~~Cross River Bank and / or~~ Celtic Bank were to otherwise terminate for any reason (including, but not limited to, its failure to comply with regulatory actions), we may need to implement an additional substantially similar arrangement with another bank, obtain additional state licenses, or curtail our operations. If we need to enter into alternative arrangements with a different bank to replace our existing ~~arrangements~~ - **arrangement** , we may not be able to negotiate a comparable alternative arrangement in a timely manner or at all. In addition, transitioning loan originations to a new bank ~~is untested and~~ may result in delays in the issuance of loans or, if our platform becomes inoperable, may result in the inability to facilitate loans through our platform. If we are unable to enter into an alternative arrangement with different banks to fully replace or supplement our relationship with ~~Cross River Bank and / or~~ Celtic Bank, we would potentially need to obtain additional state licenses to enable us to originate loans directly, as well as comply with other state and federal laws, which would be costly and time consuming, and there can be no assurances that any such licenses could be obtained in a timely manner or at all. Our high- velocity, capital efficient funding model is integral to the success of our commerce platform. To support this model and the growth of our business, we must maintain a variety of funding arrangements, including warehouse **credit** facilities, securities repurchase agreements, securitization trusts, and forward flow arrangements with a diverse set of funding sources. If we are unable to maintain access to, or to expand, our network and diversity of funding arrangements, our business, results of operations, financial condition, and future prospects could be materially and adversely affected. We cannot guarantee that these funding arrangements will continue to be available on favorable terms or at all, and our funding strategy may change over time and depends on the availability of such funding arrangements. Disruptions in the credit markets or other factors, such as the current inflationary environment and rising interest rates, could adversely affect the availability, diversity, cost, and terms of our funding arrangements **. Since the beginning of March 2023, there have been public reports of instability at certain financial institutions. Despite the steps taken to date by U. S. and foreign agencies and institutions, the follow- on effects of this instability are unknown and may lead to disruptions to the businesses and operations of our funding sources. Although we are not substantially dependent on a single financing source, if multiple financing sources were to be unable**

to fulfill their funding obligations to us, it could have a material adverse effect on our financial condition, results of operations and cash flows . In addition, our funding sources may reassess their exposure to our industry and either curtail access to uncommitted financing capacity, fail to renew or extend facilities, or impose higher costs to access our funding. Further, our debt financing and loan sale forward flow facilities are generally fixed term in nature, with term lengths ranging between one to three years, during which we have access to committed capital pursuant to such facilities. If our existing funding arrangements are not renewed or replaced or our existing funding sources are unwilling or unable to provide funding to us on terms acceptable to us, or at all, we would need to secure additional sources of funding or reduce our operations significantly. The availability and diversity of our funding arrangements depends on various factors and are subject to numerous risks, many of which are outside of our control. The agreements governing our funding arrangements require us to comply with certain covenants. A breach of such covenants or other events of default under our funding agreements could result in the reduction or termination of our access to such funding, could increase our cost of such funding or, in some cases, could give our lenders the right to require repayment of the loans prior to their scheduled maturity. Certain of these covenants are tied to our consumer default rates, which may be significantly affected by factors, such as economic downturns or general economic conditions, that are beyond our control and beyond the control of individual consumers. In addition, our revolving credit facility contains (a) certain covenants and restrictions that limit our and our subsidiaries' ability to, among other things: incur additional debt; create liens on certain assets; pay dividends on or make distributions in respect of their capital stock or make other restricted payments; consolidate, merge, sell, or otherwise dispose of all or substantially all of their assets; and enter into certain transactions with their affiliates, and (b) certain financial maintenance covenants that require us and our subsidiaries to not exceed a specified leverage ratio, to maintain a minimum tangible net worth, and to maintain a minimum level of unrestricted cash while any borrowings under the revolving credit facility are outstanding. In the future, we may seek to further access the capital markets to obtain capital to finance growth. However, our future access to the capital markets could be restricted due to a variety of factors, including a deterioration of our earnings, cash flows, balance sheet quality, or overall business or industry prospects, adverse regulatory changes, a disruption to or volatility or deterioration in the state of the capital markets, or a negative bias toward our industry by market participants. Due to the negative bias toward our industry, certain financial institutions have restricted access to available financing by participants in our industry, and we may have more limited access to institutional capital than other businesses. Future prevailing capital market conditions and potential disruptions in the capital markets may adversely affect our efforts to arrange additional financing on terms that are satisfactory to us, if at all. If adequate funds are not available, or are not available on acceptable terms, we may not have sufficient liquidity to fund our operations, make future investments, take advantage of acquisitions or other opportunities, or respond to competitive challenges and this, in turn, could adversely affect our ability to advance our strategic plans. In addition, if the capital and credit markets experience volatility, and the availability of funds is limited, third- parties with whom we do business may incur increased costs or business disruption and this could adversely affect our business relationships with such third- parties, which in turn could have a material adverse effect on our business, results of operations, financial condition, cash flows, and future prospects. The success of our business depends on our ability to work with an originating bank partner to enable effective underwriting of loans facilitated through our platform and accurately price credit risk. **We believe that one of our core competitive advantages, and a core tenet of our platform, is our ability to work with an originating bank partner to use our data- driven risk model to enable the effective underwriting of loans facilitated through our platform and to accurately and effectively price credit risk. Any deterioration in the performance of the loans facilitated through our platform, or unexpected losses on such loans, would materially and adversely affect our business and results of operations. Loan repayment underperformance would impact our interest- related and gain- on- sale income generated from loans we purchase from our originating bank partners, which are underwritten in accordance with the bank' s credit policy. Additionally, incremental charge- offs may affect future credit decisioning, growth of transaction volume, and the amount of provisions for underperforming loans we will need to take.** Traditional lenders rely on credit bureau scores and require large amounts of information to approve a loan. We believe that one of our competitive advantages is the ability of our risk model, deployed in accordance with our originating bank partners' credit model and its underwriting guidelines when loans are made, to efficiently score and price credit risk within seconds at point- of- sale based on five top- of- mind data inputs. However, these inputs may be inaccurate or may not accurately reflect a consumer' s creditworthiness or credit risk. In addition, our ability to enable the effective underwriting of the loans we originate directly or purchase from our originating bank partners and accurately price credit risk (and, as a result, the performance of such loans) is significantly dependent on the ability of our proprietary, learning- based scoring system, and the underlying data, to quickly and accurately evaluate a customer' s credit profile and risk of default. The information we use in developing the risk model and price risk may be inaccurate or incomplete as a result of error or fraud, both of which may be difficult to detect and avoid. Numerous factors, many of which can be unexpected or beyond our control, can adversely affect a customer' s credit risk and our risks. There may be risks that exist, or that develop in the future, including market risks, economic risks, and other external events, that we have not appropriately anticipated, identified, or mitigated, such as risks from inadequate or failed processes, people or systems, natural disasters, and compliance, reputational, or legal matters, both as they relate directly to us as well as that relate to third- parties with whom we contract or otherwise do business. Any changes to our risk model may be ineffective and the performance of our risk model may decline ~~. Further, our proprietary risk model was built prior to the COVID- 19 pandemic, and consequently was not designed to take into account the longer- term impacts of social, economic, and financial disruptions caused by the pandemic~~ . If our risk model does not effectively and accurately model the credit risk of potential loans facilitated through our platform, greater than expected losses may result on such loans and, as a result, our business, results of operations, financial condition, and future prospects could be materially and adversely affected. In addition, if the risk model we use contains errors or is otherwise ineffective, our reputation and relationships with consumers, our funding sources, our originating bank partners, and our merchants could be harmed, we may be subject to liability, and our ability to access our funding sources may be inhibited. Our ability to attract consumers to our platform and to build trust in our platform and products is significantly dependent on our ability to effectively evaluate consumer credit profiles and likelihoods of default. If any of the credit risk or fraud models we use contain programming or other errors or is ineffective or the data provided by consumers or third- parties is incorrect or stale, or if we are unable to obtain accurate data from consumers or third- parties (such as credit reporting agencies), the loan pricing and approval process through our platform could be negatively affected, resulting in mispriced or misclassified loans or incorrect approvals or denials of loans. This could damage our reputation and relationships with consumers, our funding sources, our originating bank partners, and our merchants, which could have a material and adverse effect on our business, results of operations, financial condition, and future prospects. Additionally, if we make errors in the development, validation, or implementation of any of the models or tools used in connection with the loans facilitated through our platform, and those that we purchase and securitize or sell to investors, those investors may experience higher delinquencies and losses. We may also be subject to liability to those investors if we misrepresented the characteristics of the loans sold because of those errors. Moreover, future performance of the loans facilitated through our platform could differ from past experience because of macroeconomic factors, policy actions by regulators, lending by other institutions, or reliability of data used in the underwriting process. To the extent that past experience has influenced the development of our risk model and proves to be inconsistent with future events, delinquency rates and losses on loans could increase. Errors in our models or tools and an inability to effectively forecast loss rates could also inhibit our ability to sell loans to investors or draw down on our funding arrangements, which could limit our ability to purchase (or directly originate) new loans and could have a material and adverse effect on our business, results of operations, financial condition, and future prospects. **If** ~~For certain~~ loans facilitated through our platform **do not perform, or significantly underperform, we may incur financial losses on the loans we purchase, we hold on our balance sheet, or that are subject to certain risk sharing agreements, which may adversely impact our financial condition and results of operations as well as result in the loss of confidence of our funding sources. In recent fiscal quarters, we have retained more loans on our balance sheet funded through our consolidated securitizations and warehouse lines. For these loans and any future loans facilitated through our platform** that we purchase from our originating bank partners ~~, we~~ **that may be** ~~hold~~ **held** ~~the loan receivables~~ for investment on our balance sheet ~~. We~~ **, we** bear the entire credit risk in the event **of** ~~that these consumers~~ **consumer** default with respect to these ~~loan~~ **loans** ~~receivables~~. In addition, non- performance, or even significant underperformance, of the loan receivables that we own could have an adverse effect on our business. Additionally, our funding model relies on a variety of funding arrangements, including warehouse **credit** facilities, securitization trusts, and forward flow arrangements with a variety of funding sources. Any significant underperformance of the loans facilitated through our platform may adversely impact our relationship with such funding sources and result in their loss of confidence in us, which could lead to the termination of our existing funding arrangements, which would have a material adverse effect on our business, results of operations, financial condition, and future prospects. **In addition, in connection with certain capital funding arrangements with third party loan buyers, we have entered into risk sharing agreements where we may be required to make a payment to the loan buyer if actual losses on the loans sold exceed agreed- upon expected losses, subject to a cap based on a percentage of the principal balance of loans sold. Refer to " Note 13. Fair Value of Financial Assets and Liabilities " for additional information. If the loans subject to any existing or future risk sharing agreements underperform the expectations set forth in those agreements, we would be required to make payments under the agreements in proportion to the loan underperformance, which may have a material adverse effect on our business, results of operations, financial condition, and our relationships with existing and prospective third party loan buyers.** Any acquisitions, strategic investments, ~~or~~ alliances **, divestitures** and other transactions could fail to achieve strategic objectives, disrupt our ongoing operations or result in operating difficulties, liabilities and expenses, harm our business, and negatively impact our results of operations. In pursuing our business strategy, we routinely conduct discussions and evaluate opportunities for possible acquisitions, strategic investments, joint ventures and other transactions. We have in the past acquired or invested in, and we continue to seek to acquire or invest in, businesses, technologies, or other assets that we believe could complement or expand our business. The identification, evaluation, and negotiation of potential acquisition or strategic investment transactions may divert the attention of management and entail various expenses, whether or not such transactions are ultimately completed. There can be no assurance that we will be successful in identifying, negotiating, and consummating favorable transaction opportunities. In addition to transaction and opportunity costs, these transactions involve large challenges and risks, whether or not such transactions are completed, any of which could harm our business and negatively impact our results of operations, including risks that: • the transaction may not advance our business strategy or may harm our growth (or profitability); • we may not be able to secure required regulatory approvals or otherwise satisfy closing conditions for a proposed transaction in a timely manner, or at all; • the transaction may subject us to additional regulatory burdens that affect our business in potentially unanticipated and significantly negative ways; • we may not realize a satisfactory return or increase our revenue; • we may experience difficulty, and may not be successful in, integrating technologies, IT or business enterprise systems, culture, or management or other personnel of the acquired business; • we may incur significant acquisition costs and transition costs, including in connection with the assumption of ongoing expenses of the acquired business; • we may not realize the expected benefits or synergies from the transaction in the expected time period, or at all; • we may be unable to retain key personnel; • acquired businesses or businesses that we invest in may not have adequate controls, processes, and procedures to ensure compliance with laws and regulations, including with respect to data privacy, data protection, and data security, and our due diligence process may not identify compliance issues or other liabilities; • we may fail to identify or assess the magnitude of certain liabilities, shortcomings, or other circumstances prior to acquiring or investing in a business, which could result in additional financial, legal, regulatory, or tax exposure and may subject us to additional controls, policies, procedures, liabilities, litigation, costs of compliance or remediation, or other adverse effects on our business, operating results, or financial condition; • we may have difficulty entering into new geographic territories; • we may be unable to retain the consumers, vendors, and partners of acquired businesses; • there may be lawsuits or regulatory actions resulting from the transaction; • there may be risks associated with undetected security weaknesses, cyberattacks, or security breaches or incidents at companies that we acquire or with which we may combine or partner; • there may be local and foreign regulations applicable to the international activities of our business and the businesses we acquire; and • acquisitions could result in dilutive issuances of equity securities or the incurrence of debt. Any delay or failure on our part to identify, negotiate, finance on favorable terms, consummate, and integrate any acquisition or other strategic investment opportunity could impede our growth. **Additionally, strategic investments in which we have a minority ownership stake inherently involve a lesser degree of influence over business operations. The success of our strategic investments may be dependent on controlling shareholders, management, or other persons or entities that may have business interests, strategies, or goals that are inconsistent with ours. Business decisions or other actions or omissions of the controlling shareholders, management, or other persons or entities who control companies in which we invest may adversely affect the value of our investment, result in litigation or regulatory action against us, and damage our reputation and brand. Furthermore, we have in the past, and may in the future, also choose to divest certain businesses or product lines. If we decide to sell assets or a business, we may have difficulty obtaining terms acceptable to us in a timely manner, or at all. Additionally, we may experience difficulty separating out portions of, or entire, businesses, incur loss of revenue or experience negative impact on margins, or we may not achieve the desired strategic and financial benefits. Such potential transactions may also delay achievement of our strategic objectives, cause us to incur additional expenses, disrupt customer or employee relationships, and expose us to unanticipated or ongoing obligations and liabilities, including as a result of our indemnification obligations. Further, during the pendency of a divestiture, we may be subject to risks such as a decline in the business to be divested, loss of employees, customers, or suppliers and the risk that the transaction may not close, any of which would have a material adverse effect on the business to be divested and our retained business. If a divestiture is not completed for any reason, we may not be able to find another buyer on the same terms, and we may have incurred significant costs without the corresponding benefit.** Further expansion of our operations internationally will subject us to new challenges and risks. We currently operate in the United States, Canada, ~~Australia~~ **the United Kingdom** , Poland and Spain (we do not **currently** facilitate loans in **the United Kingdom,** Poland or Spain) and **may** ~~plan to~~ further expand our business internationally **in the future** . Managing ~~our~~ new and existing international operations requires us to comply with new regulatory frameworks and additional resources and controls. International expansion subjects our business to risks associated with international operations, including: • adjusting the proprietary risk algorithms that we use to account for the differences in information available in different jurisdictions on consumers; • conformity of our platform with applicable business customs, including translation into foreign languages and associated expenses; • potential changes to our established business model; • the need to support and integrate with local vendors and service providers; • competition with vendors and service providers that have greater experience in the local markets than we do or that have pre- existing relationships with potential consumers and investors in those markets; • difficulties in staffing and managing foreign operations in an environment of diverse culture, laws, and consumers and merchants, and the increased travel, infrastructure, and legal and compliance costs associated with international operations; • compliance with multiple, potentially conflicting, and changing governmental laws and regulations, including banking, anti-money laundering, securities, employment, tax, privacy, and data protection laws and regulations, such as the EU General Data Protection Regulation; • compliance with U. S. and foreign anti- bribery laws, including the Foreign Corrupt Practices Act; • difficulties in collecting payments in multiple foreign currencies and associated foreign currency exposure; • potential restrictions on repatriation of earnings; • expanded compliance with potentially conflicting and changing laws of taxing jurisdictions where we conduct business and applicable U. S. tax laws as they relate to international operations, the complexity and adverse consequences of such tax laws, and potentially adverse tax consequences due to changes in such tax laws; and • regional economic and political conditions. As a result of these risks, we may not be successful in managing our existing international operations, and our future international expansion efforts also may not be successful. The loss of the services of our Founder and Chief Executive Officer could materially and adversely affect our business, results of operations, financial condition, and future prospects. Max Levchin, our Founder and Chief Executive Officer, is a valuable asset to us. Mr. Levchin has significant experience in the financial technology industry and would be difficult to replace. Competition for senior executives in our industry is intense, and we may not be able to attract and retain qualified personnel to replace or succeed Mr. Levchin. Failure to retain Mr. Levchin would have a material adverse effect on our business, results of operations, financial condition, and future prospects. Our business ~~depends on~~ **benefits from** our ability to attract and retain highly skilled employees. Our future success ~~depends~~ **is aided by** on our ability to identify, hire, develop, motivate, and retain highly qualified personnel for all areas of our organization, in particular, a highly experienced sales force, data scientists, and engineers. Competition for these types of highly skilled employees is extremely intense, particularly in the San Francisco Bay Area. Trained and experienced personnel are in high demand and may be in short supply. Many of the companies with which we compete for experienced employees have greater resources than we do and may be able to offer more attractive terms of employment. In addition, we invest significant time and expense in training our employees, which increases their value to competitors that may seek to recruit them. We may not be able to attract, develop, and maintain the skilled workforce necessary to operate our business, and labor expenses may increase as a result of a shortage in the supply of qualified personnel. If we are unable to maintain and build our highly experienced sales force, or are unable to continue to attract experienced engineering and technology personnel, our business, results of operations, financial condition, and future prospects could be materially and adversely affected. In addition, in March 2020, we transitioned our entire staff to a remote working environment. Over time such remote operations may decrease the cohesiveness of our teams and our ability to maintain our culture, both of which **contribute** ~~are critical~~ to our success. Additionally, a remote working environment may impede our ability to undertake new business projects, ~~to~~ foster a creative environment, ~~to~~ hire new team members, and ~~to~~ retain existing team members. Such effects may adversely affect the productivity of our team members and overall operations, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects. **Furthermore, we have at times undertaken workforce reductions to better align our operations with our strategic priorities. For example, to manage operating expenses in response to current macroeconomic conditions and ongoing business prioritization efforts, we took certain cost- saving measures, including a reduction of our workforce, in February 2023. There can be no assurance that these actions will not adversely affect employee morale, our culture, our ability to attract and retain employees and our ability to grow in accordance with our overall strategy. If we are not able to maintain our culture, our business, results of operations, financial condition, and future prospects could be materially and adversely affected.** We incurred net losses of approximately $ **985. 3 million, $** 707. 4 million ~~,~~ **and** $ 441. 0 ~~million and $ 112. 6~~ million for the fiscal years ended June 30, **2023,** 2022, **and** 2021 ~~, and 2020~~ respectively. As of June 30, ~~2022~~ **2023** and June 30, ~~2021~~ **2022** , our accumulated deficit was approximately $ ~~1~~ **2** . 6 billion and $ ~~0~~ **1** . ~~9~~ **6** billion, respectively. **Our** ~~We anticipate that our~~ operating expenses ~~will~~ **may** increase in the ~~foreseeable~~ future as we seek to continue to grow our business, attract consumers, merchants, funding sources, and additional originating bank partners, and further enhance and develop our products and platform. As we expand our offerings to additional markets, our offerings in these markets may be less profitable than the markets in which we currently operate. Additionally, we may not realize the operating efficiencies we expect to achieve as a result of our acquisitions. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. In ~~May~~ **August** ~~2022~~ **2023** , we announced that we ~~expect to achieve~~ **achieved** ~~sustained~~ adjusted operating income profitability **in** ~~on a run rate basis by~~ the ~~end~~ **fourth quarter** of ~~our~~ **fiscal** 2023 ~~fiscal year~~ . If we are not able to achieve **sustained** profitability ~~in this manner or in the timeframe that we have publicly communicated~~ due to the potential for operating expense increases, challenges in the macroeconomic environment, and factors discussed elsewhere in this ~~report~~ **Report** , our reputation may be harmed and the market price of our Class A common stock could be materially and adversely impacted. Our quarterly results, including revenue, expenses, GMV, consumer metrics, and other key **performance** metrics, have fluctuated significantly in the past and are likely to do so in the future. Accordingly, the results for any one quarter are not necessarily an indication of future performance. Our quarterly results are likely to fluctuate due to a variety of factors, some of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuations in quarterly results may adversely affect the price of our Class A common stock. In addition, many of the factors that affect our quarterly results are difficult for us to predict. If our revenue, expenses, **GMV, consumer metrics,** or key **performance** metrics in future quarters fall short of the expectations of our investors and financial analysts, the price of our Class A common stock will be adversely affected. We have experienced in the past, and expect to continue to experience, seasonal fluctuations in our ~~revenues~~ **business** . We experience ~~seasonality~~ --- **seasonal fluctuations in our business** as a result of consumer spending patterns. Historically, our ~~revenues have~~ **GMV has** been **the** strongest during the second quarter of our fiscal year **due to increases in retail commerce during the holiday season. Despite these higher GMV levels, in fiscal 2023 and 2022, we generated less in period revenue** as a ~~result~~ **percentage** of **GMV during our second fiscal quarter due to the comparatively** higher ~~commerce trends during~~ **proportion of interest bearing loans originated in the latter half of the period, which typically results in lower merchant network revenue, which is recognized in period, and higher levels of interest income, which is recognized over a longer time horizon. We expect** ~~the~~ **these** ~~holiday retail season~~ **seasonal** ~~.~~ **patterns to continue in future periods, and any** ~~Adverse~~ **adverse** events that occur during ~~these months~~ **our second fiscal quarter** could have a disproportionate effect on our **financial** ~~business,~~ results **for the fiscal year** ~~of operations, financial condition, and future prospects~~ . Negative publicity about us or our industry could adversely affect our business, results of operations, financial condition, and future prospects. Negative publicity about us or our industry, including the transparency, fairness **, responsible lending** , user experience, quality, and reliability of our platform or point- of- sale lending platforms in general, effectiveness of our risk model, our ability to effectively manage and resolve complaints, our privacy and security practices, litigation, regulatory activity, misconduct by our employees, funding sources, originating bank partners, service providers, or others in our industry, the experience of consumers and investors with our platform or services or point- of- sale lending platforms in general, or use of loan proceeds by consumers that have obtained loans facilitated through our platform or other point- of- sale lending platforms for illegal purposes, even if inaccurate, could adversely affect our reputation and the confidence in, and the use of, our platform, which could harm our reputation and cause disruptions to our platform. Any such reputational harm could further affect the behavior of consumers, including their willingness to obtain loans facilitated through our platform or to make payments on their loans. As a result, our business, results of operations, financial condition, and future prospects would be materially and adversely affected. Litigation, regulatory actions, and compliance issues could subject us to fines, penalties, judgments, remediation costs, **and / or other** requirements resulting in increased expenses and reputational harm. Our business is subject to increased risks of litigation and regulatory actions as a result of a number of factors and from various sources, including as a result of the highly regulated nature of the financial services industry and the focus of state and federal enforcement agencies on the financial services industry in general and consumer financial services in particular. In the ordinary course of business, we have been named as a defendant in various legal actions, including arbitrations and other litigation. In addition, we are currently a defendant in a putative securities class action, ~~Toole~~ **Kusnier** v. Affirm Holdings, Inc., et al., and ~~a~~ **two** related derivative ~~action~~ **actions** , ~~Vallieres~~ **Quiroga v. Levchin, et al., and Jeffries** v. Levchin, et al. For more information, see Note ~~9~~ **8** . Commitments and Contingencies of the accompanying notes to our consolidated financial statements. While certain of our consumer agreements contain arbitration provisions with class action waiver provisions that may limit our exposure to consumer class action litigation, there can be no assurance that we will be successful in enforcing these arbitration provisions, including the class action waiver provisions, in the future or in any given case. Legislative, administrative, or regulatory developments may directly or indirectly prohibit or limit the use of pre- dispute arbitration clauses and class action waiver provisions. Any such prohibitions or limitations on or discontinuation of the use of, such arbitration or class action waiver provisions could subject us to additional lawsuits, including additional consumer class action litigation, and significantly limit our ability to avoid exposure from consumer class action litigation. From time to time, we may also be involved in, or the subject of, reviews, requests for information, investigations, and proceedings (both formal and informal) by state and federal governmental agencies, **both domestic and abroad,** including banking regulators, the FTC, the CFPB, and the SEC, regarding our business activities and related disclosure practices and our qualifications to conduct our business in certain jurisdictions, which could subject us to fines, penalties, obligations to change our business and / or disclosure practices, and other requirements resulting in increased expenses and diminished earnings. Our involvement in any such matter also could cause harm to our reputation and divert management attention from the operation of our business, even if the matters are ultimately determined in our favor. Moreover, any settlement, or any consent order or adverse judgment, in connection with any formal or informal proceeding or investigation by a government agency, may prompt litigation or additional investigations or proceedings as other litigants or other government agencies begin independent reviews of the same or similar activities. In addition, a number of participants in the consumer finance industry have been the subject of putative class action lawsuits; state attorney general actions and other state regulatory actions; federal regulatory enforcement actions, including actions relating to alleged unfair, deceptive, or abusive acts or practices; violations of state licensing and lending laws, including state interest rate limits; actions alleging discrimination on the basis of race, ethnicity, gender, or other prohibited bases; and allegations of noncompliance with various state and federal laws and regulations relating to originating and servicing consumer finance loans. The current regulatory environment, increased regulatory compliance efforts, and enhanced regulatory enforcement have resulted in significant operational and compliance costs and may prevent us from providing certain products and services. There is no assurance that these regulatory matters or other factors will not, in the future, affect how we conduct our business and, in turn, have an adverse effect on our business. In particular, legal proceedings brought under state consumer protection statutes or under several of the various federal consumer financial services statutes subject to the jurisdiction of the CFPB and FTC may result in a separate fine for each violation of the statute, which, particularly in the case of class action lawsuits, could result in damages in excess of the amounts we earned from the underlying activities. See “ — Risks Related to Our Regulatory Environment. ” Determining our allowance for credit losses requires many assumptions and complex analyses. If our estimates prove incorrect, we may incur net charge- offs in excess of our reserves, or we may be required to increase our provision for credit losses, either of which would adversely affect our results of operations. We maintain an allowance for credit losses at a level sufficient to estimate expected credit losses based on evaluating known and inherent risks in our loan portfolio. This estimate is highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. Management has processes in place to monitor these judgments and assumptions, including review by our credit committee and our asset- liability committee, but these processes may not ensure that our judgments and assumptions are correct. The method for calculating the best estimate of expected credit losses takes into account our historical experience, adjusted for current conditions, and our judgment concerning the probable effects of relevant observable data, trends, and market factors. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible that we will experience credit losses that are different from our current estimates. If our estimates and assumptions prove incorrect and our allowance for credit losses is insufficient, we may incur net charge- offs in excess of our reserves, or we could be required to increase our provision for credit losses, either of which would adversely affect our results of operations. **Increases in market interest rates have had and could continue to have an adverse effect on our business. In March 2022 in response to elevated inflationary conditions, the U. S. Federal Reserve began raising the federal funds interest rate and continued to do so through July 2023.** Increased interest rates **have had, and** may **continue to have, an** ~~adversely~~ -- **adverse** impact **on** the spending levels of consumers and their ability and willingness to borrow money. Higher interest rates often lead to higher payment obligations, which may reduce the ability of consumers to remain current on their obligations and, therefore, lead to increased delinquencies, defaults, consumer bankruptcies and charge- offs, and decreasing recoveries, all of which could have an adverse effect on our business. Certain of our funding arrangements bear a variable interest rate. Given the fixed interest rates charged on the loans originated on our platform, in the event that variable interest rates rise across the market, our interest margin earned in these funding arrangements would be reduced. Dramatic increases in interest rates may make these forms of funding nonviable. In addition, certain of our loan sale agreements are repriced on a recurring basis using a mechanism tied to interest rates. To reduce our exposure to broad changes in prevailing interest rates, we maintain an interest rate hedging program which eliminates some, but not all, of the interest rate risk. In connection with our securitizations, warehouse credit facilities, and forward flow agreements, we make representations and warranties concerning the loans financed pursuant to such agreements. If those representations and warranties are not correct, we could be required to repurchase certain of such loans. Any significant required repurchases would have an adverse effect on our ability to operate and fund our business. In our asset- backed securitizations, warehouse credit facilities, and forward flow agreements, we make numerous representations and warranties concerning the characteristics of the loans we transfer and / or sell (depending on the type of facility), including representations and warranties that the loans meet certain eligibility requirements of those facilities and investors. If those representations and warranties are incorrect, we may be required to repurchase certain of the financed loans. Failure to repurchase so- called “ ineligible loans ” when required could constitute an event of default under our financing agreements and lead to the potential termination of the applicable facility. We can provide no assurance, however, that we would have adequate cash or other qualifying assets available to make such repurchases. Such repurchases could be limited in scope, relating to small pools of loans, or larger in scope, across multiple pools of loans. If we were required to make such repurchases and if we do not have adequate liquidity to fund such repurchases, it would have a material adverse effect on our business, results of operations, financial condition, and future prospects. Our business, the consumer financial services industry, and our merchants’ businesses are sensitive to macroeconomic conditions. Economic factors such as interest rates, changes in monetary and related policies, market volatility, **inflationary conditions, student loan obligations,** consumer confidence, and unemployment rates are among the most significant factors that impact consumer spending behavior. Weak economic conditions or a significant deterioration in economic conditions, including the current inflationary environment and possibility of a recession, reduce the amount of disposable income consumers have, which in turn reduces consumer spending and the willingness of qualified consumers to take out loans. Such conditions are also likely to affect the ability and willingness of consumers to pay amounts owed under the loans facilitated through our platform, each of which would have an adverse effect on our business, results of operations, financial condition, and future prospects. The generation of new loans facilitated through our platform, and the transaction fees and other fee income due to us associated with such loans, depends upon sales of products and services by our merchants. Our merchants' sales may decrease or fail to increase as a result of factors outside of their control, such as the macroeconomic conditions referenced above, or business conditions affecting a particular merchant, industry vertical, or region. Weak economic conditions also could extend the length of our merchants' sales cycle and cause consumers to delay making (or not make) purchases of our merchants' products and services. ~~For example, some of our merchants have experienced a decrease in sales, supply chain disruptions, inventory shortages, and other adverse effects as a result of the COVID- 19 pandemic.~~ The decline of sales by our merchants for any reason will generally result in lower credit sales and, therefore, lower loan volume and associated fee income for us. In addition, if a merchant closes some or all of its locations, ceases its e- commerce operations, or becomes subject to a voluntary or involuntary bankruptcy proceeding (or if there is a perception that it may become subject to a bankruptcy proceeding), consumers may have less incentive to pay their outstanding balances on loans facilitated through our platform, which could result in higher charge- off rates than anticipated. Moreover, if the financial condition of a merchant deteriorates significantly or a merchant becomes subject to a bankruptcy proceeding, we may not be able to recover amounts due to us from the merchant. **We are** ~~Our business is~~ subject to **both** ~~the risks of earthquakes, fires, floods, pandemics and other~~ natural ~~catastrophic events~~ and ~~to interruption by~~ man- made ~~issues such as strikes~~ **events that may unexpectedly disrupt our operations and adversely impact our business** . Our systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods **, hurricanes, tornadoes, and other natural disasters (including those caused by climate change)** , power losses, telecommunications failures, strikes, health pandemics, such as the COVID- 19 pandemic, and similar events. For example, a significant natural disaster in the San Francisco Bay Area or any other location in which we have offices or facilities or employees working remotely, such as an earthquake, fire, ~~or~~ flood **, hurricane or tornado** , could have a material adverse effect on our business, results of operations, financial condition, and future prospects, and our insurance coverage may be insufficient to compensate us for losses that may occur. In addition, strikes, wars, terrorism, and other geopolitical unrest could cause disruptions in our business and lead to interruptions, delays, or loss of critical data. If a natural disaster, power outage, connectivity issue, or other event occurs that impacts our employees' ability to work remotely, our business and results of operations could be adversely affected. We may not have sufficient protection or recovery plans in certain circumstances, such as a significant natural disaster, and our business interruption insurance may be insufficient to compensate us for losses that may occur. Borrowers may not view or treat their loans as having the same significance as other obligations, and the loans facilitated through our platform are not secured, guaranteed, or insured and involve a high degree of financial risk. Borrowers may not view the loans facilitated through our platform as having the same significance as other credit obligations arising under more traditional circumstances. Personal loans facilitated through our platform are not secured by any collateral, not guaranteed or insured by any third- party, and not backed by any governmental authority in any way. Therefore, if we purchase the loans from our originating bank partners after they are originated, we are limited in our ability to collect on these loans if a consumer is unwilling or unable to repay them. A consumer' s ability to repay their loans can be negatively impacted by increases in their payment obligations to other lenders under mortgage, credit card, and other loans resulting from increases in base lending rates or structured increases in payment obligations. If a consumer neglects his or her payment obligations on a loan facilitated through our platform or chooses not to repay his or her loan entirely, it will have an adverse effect on our business, results of operations, financial condition, future prospects, and cash flows. Our ability to collect on loans is dependent on the consumer' s continuing financial stability, and consequently, collections can be adversely affected by a number of factors, including job loss, divorce, death, illness, or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and debtor relief laws, may limit the amount that can be recovered on the loans. It is possible that a higher percentage of consumers will seek protection under bankruptcy or debtor relief laws as a result of the current inflationary environment, the possibility of a recession and market volatility. Federal, state, or other restrictions could impair our ability to collect amounts owed and due on the loans facilitated through our platform, reduce income received from the loans facilitated through our platform, or negatively affect our ability to comply with our current financing arrangements or obtain financing with respect to the loans facilitated through our platform. In the event that initial attempts to contact a consumer are unsuccessful, certain delinquent loans may be referred to a collection agent that will service the loans using its own servicing platform. Further, if collection action must be taken in respect of a loan, the collection agent may charge additional amounts, which may reduce the amounts of collections that we receive. Moreover, because our servicing fees in connection with the services we provide depend on the collectability of the loans facilitated through our platform, if there is an unexpected significant increase in the number of consumers who fail to repay their loans or an increase in the principal amount of the loans that are not repaid, we will be unable to collect our entire servicing fee for the loans facilitated through our platform for which we act as servicer, and our business, results of operations, financial condition, future prospects, and cash flows could be materially and adversely affected. In addition, if a consumer defaults on a loan, we may be unsuccessful in our efforts to collect the amount of the loan. As such, our originating bank partners could decide to originate fewer loans through our platform. An increase in defaults precipitated by these risks and uncertainties could have a material adverse effect on our business, results of operations, financial condition, and future prospects. While we take precautions to prevent consumer identity fraud, it is possible that identity fraud may still occur or has occurred, which may adversely affect the performance of the loans facilitated through our platform. There is risk of fraudulent activity associated with our platform, originating bank partners, consumers, and third- parties handling consumer information. Our resources, technologies, and fraud prevention tools may be insufficient to accurately detect and prevent fraud. We are obligated to repurchase the loans facilitated through our platform in certain cases of confirmed identity theft. The level of fraud related charge- offs on the loans facilitated through our platform could be adversely affected if fraudulent activity were to significantly increase. We bear the risk of consumer fraud in a transaction involving us, a consumer, and a merchant, and we generally have no recourse to the merchant to collect the amount owed by the consumer. Significant amounts of fraudulent cancellations or chargebacks could adversely affect our business or financial condition. High profile fraudulent activity or significant increases in fraudulent activity could also lead to regulatory intervention, negative publicity, and the erosion of trust from our consumers and merchants, and could materially and adversely affect our business, results of operations, financial condition, future prospects, and cash flows. If we fail to maintain effective internal control over financial reporting or disclosure controls and procedures, we may be unable to report our financial results on a timely and accurate basis, and our business, operating results and market price of our Class A common stock may be adversely affected. The Sarbanes- Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. The process of designing and implementing effective internal controls and disclosure controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environment and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. In addition, testing and maintaining internal controls may divert our management' s attention from other matters that are important to our business. If we are unable to establish and maintain appropriate internal control over financial reporting and disclosure controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our operating results. Any failure to maintain effective internal control over financial reporting or disclosure controls and procedures could have an adverse effect on our business and operating results, and cause a decline in the price of our Class A common stock. We also could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources. Increased scrutiny from regulators, investors and other stakeholders regarding our environmental, social, governance, or sustainability responsibilities, strategy and related disclosures could result in additional costs or risks and adversely impact our reputation, employee retention, and willingness of consumers and merchants to do business with us **.** Regulators, investor advocacy groups, certain institutional investors, investment funds, stockholders, consumers and other market participants have focused increasingly on the environmental, social and governance (" ESG ") or " sustainability " practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. We may incur additional costs and require additional resources as we evolve our ESG strategy, practices and related disclosures. If our ESG strategy, practices and related disclosures, including the impact of our business on climate change, do not meet (or are viewed as not meeting) regulator, investor or other industry stakeholder expectations and standards, which continue to evolve, our brand, reputation and employee retention may be negatively impacted. Risks Related to Our Reliance on Third Parties Our results depend on ~~more~~ prominent presentation, integration, and support of our platform by our merchants. We depend on our merchants, which generally accept most major credit cards and other forms of payment (which may include pay- over- time solutions offered by our competitors), to present our platform as a payment option and to integrate our platform into their website or in their store, such as by prominently featuring our platform on their websites or in their stores and not just as an option at website checkout. We may not have any recourse against merchants if they do not prominently present our platform as a payment option or if they more prominently present solutions offered by our competitors. In addition, as we add new merchants, it could take a significant amount of time for these merchants, particularly larger e- commerce retailers such as Amazon, to fully integrate our platform and for these merchants' customers to accept our pay- over- time solution. The failure by our merchants to effectively present, integrate, and support our platform would have a material and adverse effect on our business, results of operations, financial condition, and future prospects. If our merchants fail to fulfill their obligations to consumers or comply with applicable law, we may incur remediation costs. Although our merchants are obligated to fulfill their contractual commitments to consumers and to comply with applicable law, including in marketing our products, from time to time, they might not, or a consumer might allege that they did not. This, in turn, can result in claims or defenses against our originating bank partners and us, or a loan purchaser, or in loans being uncollectible due to the Federal Trade Commission' s Holder in Due Course Rule (" Holder Rule "), or equivalent state laws. The Holder Rule requires the inclusion of a specific notice in consumer credit contracts evidencing debts arising from purchase money loan transactions. The notice provides that the holder of the consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods or services obtained with the proceeds of the consumer credit contract. In those cases, we may decide that it is beneficial to remediate the situation, either through assisting the consumers to get a refund, working with our originating bank partners to modify the terms of the loan or reducing the amount due, making a payment to the consumer, or otherwise. Historically, the cost of remediation has not been material to our business, but we make no assurance that it will not be in the future. Our vendor relationships subject us to a variety of risks, and the failure of third- parties to comply with legal or regulatory requirements or to provide various services that are important to our operations could have an adverse effect on our business, results of operations, financial condition, and future prospects. We have significant vendors that, among other things, provide us with financial, technology, and other services to support our products and other activities, including, for example, credit ratings and reporting, cloud- based data storage and other IT solutions, and payment processing. The ~~Consumer Financial Protection Bureau ("~~ CFPB ~~")~~ has issued guidance stating that institutions under its supervision may be held responsible for the actions of the companies with which they contract. Accordingly, we could be adversely impacted to the extent our vendors fail to comply with the legal requirements applicable to the particular products or services being offered. In some cases, vendors are the sole source, or one of a limited number of sources, of the services they provide to us. For example, we are solely reliant on our agreement with our cloud computing web services provider for the provision of cloud infrastructure services to support our platform. Most of our vendor agreements are terminable by the vendor on little or no notice, and if our current vendors were to terminate their agreements with us or otherwise stop providing services to us on acceptable terms, we may be unable to procure alternatives from other vendors in a timely and efficient manner and on acceptable terms (or at all). If any vendor fails to provide the services we require, fails to meet contractual requirements (including compliance with applicable laws and regulations), fails to maintain adequate data privacy controls and electronic security systems, or suffers a cyber- attack or other security breach, we could be subject to CFPB, ~~Federal Trade Commission ("~~ FTC ~~")~~ and other regulatory enforcement actions, claims from third- parties, including our consumers, and suffer economic and reputational harm that could have an adverse effect on our business. Further, we may incur significant costs to resolve any such disruptions in service, which could adversely affect our business. For example, certain installment loans are originated by our originating bank partners and then disbursed to merchants via single- use virtual cards facilitated through our partnership with an issuer processor. This issuer processor issues single- use virtual cards through its issuing bank partner which allow loans facilitated through our platform to be processed over the card network. Such loans facilitated through our platform can be used at merchants where we are not integrated at checkout, allowing consumers to complete purchases with virtual cards just as they would with a standard credit or debit card. In the event that our issuer processor becomes unable or unwilling to facilitate the disbursements to merchants and we are unable to reach an agreement with another vendor, such loans would no longer be able to be facilitated through our platform. We partially rely on card issuers or payment processors. If we fail to comply with the applicable requirements of Visa or other payment processors, those payment processors could seek to fine us, suspend us or terminate our registrations, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects. We partially rely on card issuers or payment processors, and must pay a fee for this service. From time to time, payment processors such as Visa may increase the interchange fees that they charge for each transaction using one of their cards. The payment processors routinely update and modify their requirements. Changes in the requirements, including changes to risk management and collateral requirements, may impact our ongoing cost of doing business and we may not, in every circumstance, be able to pass through such costs to our merchants or associated participants. Furthermore, if we do not comply with the payment processors' requirements (e. g., their rules, bylaws, and charter documentation), the payment processors could seek to fine us, suspend us or terminate our registrations that allow us to process transactions on their networks. The termination of our registration due to failure to comply with the applicable requirements of Visa or other payment processors, or any changes in the payment processors' rules that would impair our registration, could require us to stop providing payment services to Visa or other payment processors, which could have a material adverse effect on our business, results of operations, financial condition, and future prospects. Our business could be adversely affected by any unsoundness of our financial institution counterparties. **Since the beginning of March 2023, there have been public reports of instability at various financial institutions, with certain financial institutions being severely impacted.** Financial services institutions are interrelated with our business as a result of trading, clearing, counterparty or other relationships. We routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutions. Many of these transactions expose us to credit risk in the event of a default by a counterparty. In addition, our credit risk may be exacerbated when collateral cannot be foreclosed upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due. Any such losses could adversely affect our business, financial condition and results of operations. Risks Related to Our Intellectual Property and Platform Development Real or perceived software errors, failures, bugs, defects, or outages could adversely affect our business, results of operations, financial condition, and future prospects. Our platform and our internal systems rely on software that is highly technical and complex. In addition, our platform and our internal systems depend on the ability of such software to store, retrieve, process, and manage immense amounts of data. As a result, undetected errors, failures, bugs, or defects may be present in such software or occur in the future in such software, including open source software and other software we license in from third- parties, especially when updates or new products or services are released. Any real or perceived errors, failures, bugs, or defects in the software may not be found until our consumers use our platform and could result in outages or degraded quality of service on our platform that could adversely impact our business (including through causing us not to meet contractually required service levels), as well as negative publicity, loss of or delay in market acceptance of our products and services, and harm to our brand or weakening of our competitive position. In such an event, we may be required, or may choose, to expend significant additional resources in order to correct the problem. We use vendors, such as our cloud computing web services provider, virtual card processing companies, and third- party software providers (including companies that provide our risk scoring models), in the operation of our platform. The satisfactory performance, reliability, and availability of our technology and our underlying network and infrastructure are critical to our operations and reputation and the ability of our platform to attract new and retain existing merchants and consumers. We rely on these vendors to protect their systems and facilities against damage or service interruptions from natural disasters, power or telecommunications failures, air quality issues, environmental conditions, computer viruses or attempts to harm these systems, criminal acts, and similar events. We may also be harmed if data, technology, or software becomes non- compliant with existing regulations or industry standards, becomes subject to third- party claims of intellectual property infringement, misappropriation, or other violation, or malfunctions or functions in a way we did not anticipate. If our arrangement with a vendor is terminated or if there is a lapse of service or damage to its systems or facilities, we could experience interruptions in our ability to operate our platform. We also may experience increased costs and difficulties in replacing that vendor and replacement services may not be available on commercially reasonable terms, on a timely basis, or at all. Any interruptions or delays in our platform availability, whether as a result of a failure to perform on the part of a vendor, any damage to one of our vendor' s systems or facilities, the termination of any of our third- party vendor agreement, software failures, our or our vendor' s error, natural disasters, terrorism, other manmade problems, security breaches, whether accidental or willful, or other factors, could harm our relationships with our merchants and consumers and also harm our reputation. In addition, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that it may incur. Our disaster recovery plan has not been tested under actual disaster conditions, and we may not have sufficient capacity to recover all data and services in the event of an outage. These factors could prevent us from processing transactions or posting payments on our platform, damage our brand and reputation, divert the attention of our employees, reduce our revenue, subject us to liability, and cause consumers or merchants to abandon our platform, any of which could have a material and adverse effect on our business, results of operations, financial condition, and future prospects. Our ability to protect our confidential, proprietary, or sensitive information, including the confidential information of consumers on our platform, may be adversely affected by cyber- attacks, employee or other internal misconduct, computer viruses, physical or electronic break- ins, or similar disruptions. Our business involves the collection, storage, use, disclosure, processing, transfer, and other handling (collectively, " processing ") of a wide variety of information, including personally identifiable information, for various purposes in our business, including to help support the integrity of our services and to provide features and functionality to our consumers and merchants. The processing of the information we acquire in connection with our consumers' and merchants' use of our services, particularly on our internet applications for consumers, is subject to numerous privacy, data protection, cybersecurity, and other laws and regulations in the United States and foreign jurisdictions. The automated nature of our business and our reliance on digital technologies may make us an attractive target for, and potentially vulnerable to, cyber- attacks, computer malware, computer viruses, social engineering (including phishing and ransomware attacks), general hacking, physical or electronic break- ins, or similar disruptions. In addition, our remote working environment may exacerbate these risks. While we and our vendors have taken steps to protect the confidential, proprietary, and sensitive information to which we have access and to prevent data loss, our security measures or those of our vendors could be breached resulting in the loss of, or unauthorized access to, our or our consumers' data, our intellectual property, or other confidential, proprietary, or sensitive business information and could expose us to liability related to the loss of the information, time- consuming and expensive litigation, **potential regulatory scrutiny** and negative publicity. **As is common in our industry, and with technology- focused companies more broadly,** ~~Unauthorized~~ **unauthorized** parties **regularly** ~~have in the past attempted and may in the future~~ attempt to gain access to our systems ~~or~~ **and** facilities through various means, including, among others, hacking into our or our partners' or consumers' systems or facilities, or attempting to fraudulently induce our employees, partners, consumers or others into disclosing usernames, passwords, or other sensitive information, which may in turn be used to access our information technology systems and gain access to our or our consumers' data or other confidential, proprietary, or sensitive information. **In the past, such attempts have, at times, been successful but with minimal impact on or disruption to our business, and** ~~There~~ **there** is no guarantee that our continuous monitoring efforts will be effective **in preventing similar or more impactful incidents in the future** . If we are unable to protect our intellectual property, or if third parties are successful in claiming that we are infringing, misappropriating, or violating the intellectual property of others, we may incur significant expense and our business may be adversely affected. Our ability to compete effectively is dependent in part upon our ability to obtain, maintain, protect, and enforce our intellectual property and other proprietary rights, including with respect to our proprietary technology, and to obtain licenses to use the intellectual property and proprietary rights of others. We rely on a combination of patents, trademarks, service marks, copyrights, trade secrets, domain names, and agreements with employees and third- parties to protect our intellectual property and other proprietary rights. We also enter into agreements containing obligations of confidentiality with each party that has or may have had access to proprietary information, know- how, or trade secrets owned or held by us. Nonetheless, the steps we take to obtain, maintain, protect, and enforce our intellectual property and other proprietary rights may be inadequate. For example, our competitors and other third- parties may design around or independently develop similar technology or otherwise duplicate or mimic our services or products such that we would not be able to successfully assert our intellectual property or other proprietary rights against them. We cannot assure that any future patent, trademark, or service mark registrations will be issued for our pending or future applications or that any of our current or future patents, copyrights, trademarks, or service marks (whether registered or unregistered) will be valid, enforceable, sufficiently broad in scope, provide adequate protection of our intellectual property or other proprietary rights, or provide us with any competitive advantage. Our trademarks, trade names, and service marks have significant value, and our brand is an important factor in the marketing of our services. We intend to rely on both registrations and common law protections for our trademarks. However, we may be unable to prevent competitors or other third- parties from acquiring or using trademarks, service marks, or other intellectual property or other proprietary rights that are similar to, infringe upon, misappropriate, dilute, or otherwise violate or diminish the value of our trademarks and service marks and our other intellectual property and proprietary rights. The value of our intellectual property and other proprietary rights could diminish if others assert rights in or ownership of our intellectual property or other proprietary rights, or in trademarks or service marks that are similar to our trademarks or service marks. In addition, we cannot guarantee that we have entered into agreements containing obligations of confidentiality with each party that has or may have had access to proprietary information, know- how, or trade secrets owned or held by us. Moreover, our contractual arrangements may be breached or may otherwise not effectively prevent disclosure of, or control access to, our confidential or otherwise proprietary information or provide an adequate remedy in the event of an unauthorized disclosure. The measures we have put in place may not prevent misappropriation, infringement, or other violation of our intellectual property or other proprietary rights or information and any resulting loss of competitive advantage, and we may be required to litigate to protect our intellectual property or other proprietary rights or information from misappropriation, infringement, or other violation by others, which is expensive, could cause a diversion of resources, and may not be successful, even when our rights have been infringed, misappropriated, or otherwise violated. Our efforts to enforce our intellectual property and other proprietary rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property and other proprietary rights, and if such defenses, counterclaims, or countersuits are successful, it could diminish or we could otherwise lose valuable intellectual property and other proprietary rights. Additionally, the laws of some foreign countries may not be as protective of intellectual property and other proprietary rights as those in the United States, and the mechanisms for enforcement of intellectual property and other proprietary rights may be inadequate. Furthermore, third- parties may challenge, invalidate, or circumvent our intellectual property and proprietary rights, including through administrative processes or litigation. The legal standards relating to the validity, enforceability, and scope of protection of intellectual property and other proprietary rights are uncertain and still evolving. Our intellectual property and other proprietary rights may not be sufficient to provide us with a competitive advantage and the value of our intellectual property and other proprietary rights could also diminish if others assert rights therein or ownership thereof, and we may be unable to successfully resolve any such conflicts in our favor or to our satisfaction. We may be subject to claims brought by third- parties for alleged infringement, misappropriation, or other violation of their intellectual property or other proprietary rights. Our success depends, in part, on our ability to develop and commercialize our products and services without infringing, misappropriating, or otherwise violating the intellectual property or other proprietary rights of third- parties. We may receive claims or otherwise become involved in disputes from time to time concerning intellectual property or other proprietary rights of third- parties, which may relate to our own proprietary technology, or to technology that we acquire or license from third- parties, and we may not prevail in these disputes. Relatedly, competitors or other third- parties may raise claims alleging that service providers or other third- parties retained or indemnified by us, infringe on, misappropriate, or otherwise violate such competitors' or other third- parties' intellectual property or other proprietary rights. These claims of infringement, misappropriation, or other violation may be extremely broad, and it may not be possible for us to conduct our operations in such a way as to avoid all such alleged violations of such intellectual property or other proprietary rights. We also may be unaware of third- party intellectual property or other proprietary rights that cover or otherwise relate to some or all of our products and services. Given the complex, rapidly changing, and competitive technological and business environment in which we operate, and the potential risks and uncertainties of intellectual property- related litigation, a claim of infringement, misappropriation, or other violation against us may require us to spend significant amounts of time and other resources to defend against the claim (even if we ultimately prevail), pay significant money damages, lose significant revenues, be prohibited from using the relevant systems, processes, technologies, or other intellectual property (temporarily or permanently), cease offering certain products or services, obtain a license, which may not be available on commercially reasonable terms or at all, or redesign our products or services or functionality therein, which could be costly, time- consuming, or impossible. Some of the aforementioned risks of infringement, misappropriation or other violation, in particular with respect to patents, are potentially increased due to the nature of our business, industry, and intellectual property portfolio. For instance, it has become common in recent years for certain third- parties to purchase patents or other intellectual property assets for the sole purpose of making claims of infringement, misappropriation, or other violation in an attempt to extract settlements from companies such as ours. Relatedly, we do not currently have a large patent portfolio, which could otherwise assist us in deterring patent infringement claims from competitors, through our ability to bring patent infringement counterclaims using our own patent portfolio. In addition to the previously mentioned impacts of intellectual property- related litigation, while in some cases a third- party may have agreed to indemnify us for costs associated with intellectual property- related litigation, such indemnifying third- party may refuse or be unable to uphold its contractual obligations. In other cases, our insurance may not cover potential claims of this type adequately or at all, and we may be required to pay monetary damages, which may be significant. Some aspects of our platform include open source software, and our use of open source software could negatively affect our business, results of operations, financial condition, and future prospects. Aspects of our platform include software covered by open source licenses. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our platform. In such an event, we could be required to re- engineer all or a portion of our technologies, seek licenses from third- parties in order to continue offering our products, discontinue the use of our platform in the event re- engineering cannot be accomplished, or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and loan products. If portions of our proprietary software are determined to be subject to an open source license, we could also be required to, under certain circumstances, publicly release or license, at no cost, our products that incorporate the open source software or the affected portions of our source code, which could allow our competitors or other third- parties to create similar products and services with lower development effort, time, and costs, and could ultimately result in a loss of transaction volume for us. We cannot ensure that we have not incorporated open source software in our software in a manner that is inconsistent with the terms of the applicable license or our current policies, and we may inadvertently use open source in a manner that we do not intend or that could expose us to claims for breach of contract or intellectual property infringement, misappropriation, or other violation. If we fail to comply, or are alleged to have failed to comply, with the terms and conditions of our open source licenses, we could be required to incur significant legal expenses defending such allegations, be subject to significant damages, be enjoined from the sale of our products and services, and be required to comply with onerous conditions or restrictions on our products and services, any of which could be materially disruptive to our business. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third- party commercial software because open source licensors generally do not provide warranties or other contractual protections regarding infringement, misappropriation, or other violations, the quality of code, or the origin of the software. Many of the risks associated with the use of open source software cannot be eliminated and could adversely affect our business, results of operations, financial condition, and future prospects. For instance, open source software is often developed by different groups of programmers outside of our control that collaborate with each other on projects. As a result, open source software may have security vulnerabilities, defects, or errors of which we are not aware. Even if we become aware of any security vulnerabilities, defects, or errors, it may take a significant amount of time for either us or the programmers who developed the open source software to address such vulnerabilities, defects, or errors, which could negatively impact our products and services, including by adversely affecting the market' s perception of our products and services, impairing the functionality of our products and services, delaying the launch of new products and services, or resulting in the failure of our products and services, any of which could result in liability to us, our vendors and service providers. Further, our adoption of certain policies with respect to the use of open source software may affect our ability to hire and retain employees, including engineers. We are subject to various international, federal and state consumer protection laws. We must comply with various international, federal and state regulatory regimes, including those applicable to consumer credit transactions, such as, but not limited to, those described in " Business — Regulatory Environment — U. S. federal consumer protection requirements. " In addition, the U. S. **, U. K.** and **other** international governments, states, and provinces may pass new laws, or may amend existing laws, to **further** regulate ~~further~~ the consumer finance industry or loans of the type provided through our platform, or to reduce the finance charges or other fees that may be imposed with respect to consumer loans. This could make the provision and collection of consumer loans more difficult or costly, which may negatively impact our business. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance is given that our compliance policies and procedures will be effective. Failure to comply with these laws and with regulatory requirements applicable to our business could subject us to damages, revocation of licenses, class action lawsuits, administrative enforcement actions, and civil and criminal liability, which may harm our business. Our business is subject to extensive regulation **, supervision** , examination, and oversight in a variety of areas, all of which are subject to change and uncertain interpretation. Changing international, federal, state, and local laws, as well as changing regulatory enforcement policies and priorities, including changes that may result from changes in the political landscape, may negatively impact our business, results of operations, financial condition, and future prospects. We are subject to extensive regulation, supervision, ~~and~~ examination **, and oversight** by federal and state governmental authorities under ~~United States~~ **U. S.** federal and state laws and regulations. ~~As~~ **We are also regulated by many international and state regulatory agencies through licensing and other supervisory or enforcement authority, which includes regular examination by international and state governmental authorities. In addition, as** we continue to expand our operations internationally, we may ~~also~~ become subject to extensive regulation, supervision, ~~and~~ examination **, and oversight** by **additional** international authorities. We are required to comply with constantly changing international, federal, state, and local laws and regulations that regulate, among other things, the terms of the loans that we and our originating bank partners originate and the associated fees that may be charged. A change in these laws that ~~enables~~ - **enable** our credit scoring and pricing model, including our ability to export interest rates across state lines, could have a material impact on our business model and financial position. New laws or regulations could also require us to incur significant expenses and devote significant management attention to ensure compliance. In addition, our failure to comply (or to ensure that our agents and third- party service providers comply) with these laws or regulations may result in litigation or enforcement actions, the penalties for which could include: revocation of licenses; fines and other monetary penalties; civil and criminal liability; substantially reduced payments by borrowers; modification of the original terms of loans, permanent forgiveness of debt, or inability to, directly or indirectly, collect all or a part of the principal of or interest on loans; and increased purchases of loan receivables for loans originated by our originating bank partners and indemnification claims. We are subject to the regulatory and enforcement authority of the CFPB as a facilitator, servicer, acquirer or originator of consumer credit. **As such, the CFPB has in the past requested reports concerning our organization, business conduct, markets, and activities, and we expect that the CFPB will continue to do so from time to time in the future.** In **addition** ~~December 2021~~ , **we expect** the CFPB ~~issued a Request for Information~~ to ~~five~~ **begin to supervise us in the immediate future. The CFPB' s supervision** of **us will enable it, among** ~~the~~ **other things** ~~largest BNPL providers~~ , **to conduct comprehensive and rigorous examinations to assess our** ~~including Affirm, requesting information by March 1, 2022. Affirm has complied~~ - **compliance** with ~~the Request for Information~~ **consumer financial protection laws, which could result in investigations, enforcement actions, regulatory fines and mandated changes to our business products, policies and procedures** . For further discussion on the CFPB' s enforcement authority, see " Business — Regulatory Environment — U. S. federal consumer protection requirements. " In conducting an investigation, the CFPB or state attorneys general may issue a civil investigative demand requiring a target company to prepare and submit, among other items, documents, written reports, answers to interrogatories, and deposition testimony. If we become subject to such **an** investigation, the required response could result in substantial costs and a diversion of the attention and resources of our management. ~~Further~~ **In addition** , **investigations** ~~we are regulated by many international and state regulatory agencies through licensing~~ and other ~~supervisory or enforcement authority, which includes regular examination by international and state governmental authorities. Such~~ regulatory actions could result in penalties and reputational harm to us and a loss of consumers participating in our platform, and our compliance costs and litigation exposure could increase if the CFPB, for instance, or other regulatory agencies enact new regulations, change regulations that were previously adopted, modify, through supervision or enforcement, past regulatory guidance, or interpret existing regulations in a manner different or stricter than have been previously interpreted, any of which could adversely affect our ability to perform. Further, in some cases, regardless of fault, it may be less time- consuming or costly to settle these matters, which may require us to implement certain changes to our business practices, provide remediation to certain individuals or make a settlement payment to a given party or regulatory body. Further, we may not be able to respond quickly or effectively to regulatory, legislative, and other developments, and these changes may in turn impair our ability to offer our existing or planned features, products, and services and / or increase our cost of doing business. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, or criminal or civil sanctions, all of which may have an adverse effect on our reputation, business, results of operations, and financial condition. A substantial number of the loans facilitated through our platform are originated through our bank partners and we rely on our originating bank partner model to comply with various federal, state, and other laws. If the legal structure underlying our relationship with our originating bank partners was successfully challenged, we may be found to be in violation of state licensing requirements and state laws regulating interest rates and other aspects of consumer lending. In the event of such a challenge or if our arrangements with our originating bank partners were to change or end for any reason, we would need to rely on an alternative bank relationship, find an alternative bank relationship, rely on existing state licenses, obtain new state licenses, pursue a federal charter, offer consumer loans, and / or be subject to the interest rate limitations of certain states. If we were found to be operating without having obtained necessary international, state or local licenses, or if loans made by us under our lending licenses are found to violate applicable state or provincial interest rate limits or other provisions of applicable state or provincial lending and other laws, it could adversely affect our business, results of operations, financial condition, and future prospects. The application of some consumer financial licensing laws to our platform and the related activities it performs is unclear. In addition, licensing requirements may evolve over time, including, in particular, recent trends toward increased licensing requirements and regulation of parties engaged in loan solicitation and other regulated activities. If determined to be applicable to us, some licensing restrictions and limitations may prevent certain Affirm products being offered entirely. In addition, if we were found to be in violation of applicable state or provincial interest rate or licensing requirements by a regulating entity, a court or a state, federal, or local enforcement agency, or agree to resolve such concerns by voluntary agreement, we could be subject to or agree to pay fines, damages, injunctive relief (including required modification or discontinuation of our business in certain areas), criminal penalties, and other penalties or consequences, and the loans facilitated through our platform could be rendered void or unenforceable in whole or in part, any of which could have an adverse effect on the enforceability or collectability of the loans facilitated through our platform. The highly regulated environment in which our originating bank partners operate could have an adverse effect on our business, results of operations, financial condition, and future prospects. Our originating bank partners are subject to increasingly demanding regulatory requirements. Federal regulation of the banking industry, along with tax and accounting laws, regulations, rules, and standards, may limit their operations significantly and control the methods by which they conduct business. In addition, compliance with laws and regulations can be difficult and costly, and changes to laws and regulations can impose additional compliance requirements. In particular, regulatory requirements affect our originating bank partners' lending practices and investment practices, among other aspects of their businesses, and restrict transactions between us and our originating bank partners. These requirements may constrain the operations of our originating bank partners, and the adoption of new laws and changes to, or repeal of, existing laws may have a further impact on our business. Furthermore, the regulatory agencies have extremely broad discretion in their interpretation of the regulations and laws and their interpretation of the quality of our originating bank partners' loan portfolios and other assets. If any regulatory agency' s assessment of the quality of our originating bank partners' assets, operations, lending practices, investment practices, or other aspects of their business changes, it may reduce our originating bank partners' earnings, capital ratios, and share price in such a way that affects our business. Our use of vendors and our other ongoing third- party business relationships are subject to increasing regulatory requirements and attention. We regularly use vendors and subcontractors as part of our business. We also depend on our substantial ongoing business relationships with our originating bank partners, merchants, and other third- parties. These types of third- party relationships, including with our originating bank partners, are subject to increasingly demanding regulatory requirements and oversight by federal bank regulators (such as the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation), the CFPB, state and international regulators. It is expected that regulators will hold us responsible for deficiencies in our oversight and control of third- party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over vendors and subcontractors or other ongoing third- party business relationships or that such third- parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines, as well as requirements for consumer remediation. Stringent and changing laws and regulations relating to privacy and data protection could result in claims, harm our results of operations, financial condition, and future prospects, or otherwise harm our business. Compliance with current or future privacy and data protection laws (including those regarding security breach notification) affecting consumer and / or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services (such as products or services that involve us sharing information with third- parties or storing sensitive information), which could materially and adversely affect our profitability and could reduce income from certain business initiatives. We publicly post policies and documentation regarding our practices concerning the processing of data. This publication of our privacy policy and other documentation that provide promises and assurances about privacy and security is required by applicable law and can subject us to proceedings and actions brought by data protection authorities, government entities, or others (including, potentially, in class action proceedings brought by individuals) if our policies are alleged to be deceptive, unfair, or misrepresentative of our actual practices. Although we endeavor to comply with our published policies and documentation, we may at times fail to do so or be alleged to have failed to do so. Our failure, or the failure of any third- party with whom we work, to comply with privacy and data protection laws could result in potentially significant regulatory investigations and government actions, ~~litigations~~ **litigation** , fines, or sanctions, consumer, funding source, bank partner, or merchant actions, and damage to our reputation and brand, all of which could have a material adverse effect on our business. Complying with privacy and data protection laws and regulations may cause us to incur substantial operational costs or require us to change our business practices. We may not be successful in our efforts to achieve compliance either due to internal or external factors, such as resource allocation limitations or a lack of vendor cooperation. We have in the past, and may in the future, receive complaints or notifications from third- parties alleging that we have violated applicable privacy and data protection laws and regulations. Non- compliance could result in proceedings against us by governmental entities, consumers, data subjects, or others. We may also experience difficulty retaining or obtaining new consumers in these jurisdictions due to the legal requirements, compliance cost, potential risk exposure, and uncertainty for these entities, and we may experience significantly increased liability with respect to these consumers pursuant to the terms set forth in our engagements with them. As we continue to expand our operations internationally, we may become subject to various foreign privacy and data protection laws and regulations, which may in some cases be more stringent than the requirements in the jurisdictions in which we currently operate. Because the interpretation and application of many privacy and data protection laws are uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our products and services. If so, in addition to the possibility of fines, lawsuits, regulatory investigations, and other claims and penalties, we could be required to change our business activities and practices or modify our products or services, any of which could have an adverse effect on our business. Any claims regarding our inability to adequately address privacy and security concerns, even if unfounded, or to comply with applicable privacy and data security laws, regulations, contractual requirements, and policies, could result in additional cost and liability to us, damage our reputation, and adversely affect our business. Privacy and data security concerns, whether valid or not, may inhibit market adoption of our products and services, particularly in certain industries and jurisdictions. If we are not able to quickly adjust to changing laws, regulations, and standards related to the internet, our business may be harmed. We have an obligation to comply with anti- money laundering and anti- terrorism financing laws, and failure to comply with this obligation could have significant adverse consequences for us. We cannot provide any assurance that our programs and controls designed to enable us to comply with all applicable anti- money laundering and anti- terrorism financing laws and regulations will be effective to ensure compliance with all such anti- money laundering and anti- terrorism financing laws and regulations we are required to comply with, and our failure to comply with these laws and regulations could result in a breach and termination of our agreements with our originating bank partners or criticism by international or state governmental agencies, which would have a material adverse effect on our business, results of operations, financial condition, and future prospects. If we fail to comply with applicable requirements for our high- yield savings account product, our consumers' deposits may not qualify for FDIC insurance and they may withdraw their funds, which could adversely affect our brand, business, results of operations, financial condition, and future prospects. We offer an FDIC- insured, interest- bearing savings account, which is provided by Cross River Bank, on the Affirm app. Under the terms of our program agreement with Cross River Bank as well as the deposit account agreements between participating consumers and Cross River Bank, the savings account is opened and maintained by Cross River Bank. We act as the service provider to, among other things, facilitate communication between consumers and Cross River Bank via the Affirm app. We believe our savings account program, including applicable records maintained by us and Cross River Bank, complies with all applicable requirements for each participating consumer' s deposits to be covered by FDIC insurance, up to the applicable maximum deposit insurance amount. However, if the FDIC were to disagree (e. g., because we and Cross River Bank have not adequately evidenced participating consumers' ownership of each account), the FDIC might not recognize consumers' claims as covered by deposit insurance in the event Cross River Bank fails and enters receivership proceedings under the Federal Deposit Insurance Act (" FDIA "). If the FDIC were to determine that consumers' claims as covered by deposit insurance, or if Cross River Bank were to actually fail and enter receivership proceedings under the FDIA (regardless of whether the deposits are covered by FDIC insurance), participating consumers may withdraw their funds, which could adversely affect our brand, business, results of operations, financial condition, and future prospects. We also must abide by the terms of the deposit account program agreement with Cross River Bank, failure of which could lead Cross River Bank to terminate the savings account program. If Cross River Bank terminated our savings account program and we were unable to find another bank partner, we may have to close our savings account program, which could adversely affect our brand, business, results of operations, financial condition, and future prospects. Regulatory agencies and consumer advocacy groups are highly focused on potential discrimination resulting from the use of machine learning and" black- box" algorithms. We face the risk that one or more of the variables included in our loan decisioning model may be deemed a proxy for a protected characteristic such as race, ethnicity, or sex in violation of the ECOA or other anti- discrimination laws, and therefore need to be revised or eliminated to ensure compliance with ECOA, which could result in lower approval rates or higher credit losses. We may also be required to support the variables used in our loan decisioning model with documented, legitimate business justifications in the event the model results in a disproportionate effect on applicants or consumers of certain demographic groups. In addition, our use of machine learning in our models could inadvertently result in a " disparate impact " on protected groups, which would require a review of the model' s underlying data and algorithms. Although we may review our models for potential disparate impact, we may be unable to identify and eliminate all practices or variables causing the disparate impact, resulting in residual fair lending risk. Risks Related to our Class A Common Stock The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who hold shares of our Class B common stock, including our executive officers and directors and their affiliates. As a result of our dual class structure of our common stock, the trading price of our Class A common stock may be depressed. Our Class B common stock has 15 votes per share, whereas our Class A common stock has one vote per share. Because the holders of our Class B common stock collectively hold significantly more than a majority of the combined voting power of our capital stock, such holders, acting together, control all matters submitted to our stockholders for approval. As a result, for the foreseeable future, holders of our Class B common stock will continue to have significant influence over the management and affairs of our company and over the outcome of all matters submitted to our stockholders for approval, including the election of directors and significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets, even if their stock holdings represent less than 50 % of the outstanding shares of our capital stock. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock. Holders of our Class B common stock may have interests that differ from those of the holders of our Class A common stock and may vote in a way with which the Class A holders disagree or which may be adverse to the Class A holders' interests. This control may adversely affect the trading price of our Class A common stock. Further, as of June 30, ~~2022~~ **2023** , Max Levchin, our Founder, Chairman and Chief Executive

Officer, had voting control over approximately 35.~~4~~**2**% of the voting power of our outstanding capital stock. As a stockholder, Mr. Levchin is entitled to vote his shares, and shares over which he has voting control, in his own interests, which may not always be in the interests of our stockholders generally. Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, except certain transfers to entities, to the extent the transferor retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock, and certain other transfers described in our amended and restated certificate of incorporation. In addition, all shares of Class B common stock will automatically convert into shares of Class A common stock upon the occurrence of certain events described in our amended and restated certificate of incorporation. Conversions of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. Our dual class structure may also depress the trading price of our Class A common stock due to negative perception by market participants and other stakeholders. Certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. Similarly, several stockholder advisory firms have announced their opposition to the use of multiple class structures **and may issue adverse voting recommendations for items on which we ask shareholders to vote**. Any exclusion from indices or criticism of our corporate governance practices by stockholder advisory firms could result in a less active trading market for our Class A common stock. The market price of our Class A common stock has been and may continue to be volatile, which could cause the value of your investment to decline. The market price of our Class A common stock has been and may continue to be highly volatile and could be subject to wide fluctuations. This market volatility, as well as general economic, market, and political conditions, could reduce the market price of shares of our Class A common stock despite our operating performance. In addition, our results of operations could be below the expectations of public market analysts and investors due to a number of potential factors, including: variations in our quarterly or annual results of operations; additions or departures of key management personnel; the loss of an originating bank partner or key funding sources or merchants; **adverse economic conditions resulting in decreased consumer demand;** the growth and development of key merchant partner relationships, including our relationship with Amazon; and changes in our earnings estimates (if provided). Also, the publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or the investment community with respect to us or our industry, adverse announcements by us or others and developments affecting us, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, actions by institutional stockholders, and increases in market interest rates that may lead investors in our shares to demand a higher yield, could result in the significant decrease of the market price of shares of our Class A common stock. Certain of our stockholders have rights, subject to some conditions, to require us to file registration statements covering their shares that we may file for ourselves or our stockholders. In addition, as of June 30, ~~2022~~ **2023**, we had stock options and restricted stock units outstanding that, if fully exercised or settled, would result in the issuance of an aggregate of ~~53~~ **52**, ~~158~~ **572**, ~~233~~ **230** shares of our Class A common stock. All of the shares of our Class A common stock issuable upon the exercise of stock options and settlement of restricted stock units, and the shares reserved for future issuance under our equity incentive plans, are registered for public resale under the Securities Act. Any registration statement we file to register additional shares, whether as a result of registration rights or otherwise, could cause the market price of our Class A common stock to decline or be volatile. These broad market and industry factors may decrease the market price of our Class A common stock, regardless of our actual operating performance. The stock market in general has, from time to time, experienced extreme price and volume fluctuations. In addition, in the past, following periods of volatility in the overall market and the market price of a company' s securities, securities class action litigation has often been instituted against these companies. We are subject to securities litigation, as described further in Note ~~9~~ **8**. " Commitments and Contingencies " of the accompanying notes to our audited condensed consolidated financial statements and incorporated by reference in Part I, Item 3 — Legal Proceedings. This litigation, and any other securities class actions that may be brought against us, could result in substantial costs and a diversion of our management' s attention and resources. The issuance by us of additional equity securities may dilute your ownership and adversely affect the market price of our Class A common stock. Our amended and restated certificate of incorporation authorizes us to issue additional shares of Class A common stock and rights relating to Class A common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. Any Class A common stock or securities convertible into shares of our Class A common stock that we issue from time to time, including in connection with a financing, acquisition, investment or under any equity incentive plans or otherwise that we may adopt in the future, will dilute your percentage ownership. In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of our Class A common stock or securities convertible into shares of our Class A common stock or offering debt or other securities. We could also issue shares of our Class A common stock or securities convertible into our Class A common stock or debt or other securities in connection with acquisitions or other strategic transactions. In addition, as we did when we initially formed our partnership with Shopify and when we entered into the Amended and Restated Installment Financing Services Agreement with Amazon, we may issue additional shares of our Class A common stock or securities convertible into shares of Class A common stock as a means of initiating, developing, strengthening or preserving key merchant relationships. Issuing additional shares of our Class A common stock or securities convertible into shares of our Class A common stock or debt or other securities may dilute the economic and voting rights of our existing stockholders and would likely reduce the market price of our Class A common stock both upon issuance and conversion, in the case of securities convertible into shares of our Class A common stock. Upon liquidation, holders of debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution on our distributable assets prior to the holders of our common stock. Debt securities convertible into equity securities could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distribution or preferences with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing, and nature of our future offerings. As a result, holders of our Class A common stock bear the risk that our future offerings may reduce the market price of our Class A common stock and dilute their stockholdings in us. Delaware law and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer, or proxy contest difficult, thereby adversely affecting the market price of our common stock. Our status as a Delaware corporation and the anti- takeover provisions of the Delaware General Corporation Law (the " DGCL ") may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following: • our dual class common stock structure, which provides holders of our Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding common stock; • our board of directors is classified into three classes of directors with staggered three- year terms and directors may only able to be removed from office for cause; • certain amendments to our amended and restated certificate of incorporation require the approval of 66 2 / 3 % of the then- outstanding voting power of our capital stock; • our amended and restated bylaws provide that the affirmative vote of 66 2 / 3 % of the then- outstanding voting power of our capital stock, voting as a single class, is required for stockholders to amend or adopt any provision of our bylaws; • our stockholders may only take action at a meeting of stockholders and not by written consent; • vacancies on our board of directors may be filled only by our board of directors and not by stockholders; • no provision in our amended and restated certificate of incorporation or amended and restated bylaws provides for cumulative voting, which limits the ability of minority stockholders to elect director candidates; • only our chairman of the board of directors, our lead independent director, our chief executive officer, or a majority of the board of directors are authorized to call a special meeting of stockholders; • our amended and restated bylaws provide that certain litigation against us can only be brought in Delaware; • nothing in our amended and restated certificate of incorporation precludes future issuances without stockholder approval of the authorized but unissued shares of our Class A common stock; • our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued, without the approval of the holders of our capital stock; ~~and~~ • advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an **annual meeting of stockholders; and • the number of director nominees a stockholder may nominate is limited to the number of directors to be elected at the** annual meeting of stockholders. These anti- takeover defenses could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock. Our amended and restated bylaws contain exclusive forum provisions for certain claims, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees. Our amended and restated bylaws, to the fullest extent permitted by law, provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of us, (ii) any action asserting a claim of breach of a duty (including any fiduciary duty) owed by any of our current or former directors, officers, stockholders, employees or agents to us or our stockholders, (iii) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents arising out of or relating to any provision of the DGCL or our amended and restated certificate of incorporation or our amended and restated bylaws, or (iv) any action asserting a claim against us or any of our current or former directors, officers, stockholders, employees or agents governed by the internal affairs doctrine of the State of Delaware. This provision does not apply to suits brought to enforce any duty or liability created by the Securities Act **, or rules and regulations thereunder; however, the U. S. District Court** ~~or~~ **for Delaware is the sole and exclusive forum for actions brought to enforce any duty or liability created by the** Exchange Act, or rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities is deemed to have notice of and consented to our exclusive forum provisions, including the federal forum provision. Additionally, our stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. These provisions may limit our stockholders' ability to bring a claim in a judicial forum they find favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees and agents. Alternatively, if a court were to find the choice of forum provision contained in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition. Risks Related to Our Indebtedness Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including our **0 % convertible senior notes due 2026 (the "** 2026 Notes **")** , depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. We may not have the ability to raise the funds necessary to settle conversions of the 2026 Notes, to repay the 2026 Notes at maturity or to repurchase the 2026 Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2026 Notes. Holders will have the right to require us to repurchase their 2026 Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100 % of the principal amount of the 2026 Notes to be repurchased, plus accrued and unpaid special interest, if any. In addition, upon conversion of the 2026 Notes, we will be required to make cash payments for each $ 1, 000 in principal amount of 2026 Notes converted of at least the lesser of $ 1, 000 and the sum of the daily conversion values as described in the indenture governing the 2026 Notes. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or pay cash with respect to the 2026 Notes being converted. In addition, our ability to repurchase the 2026 Notes or to pay cash upon conversions of the 2026 Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase 2026 Notes at a time when the repurchase is required or to pay any cash payable on future conversions of the 2026 Notes would constitute a default under the indenture governing the 2026 Notes. A default under the indenture governing the 2026 Notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2026 Notes or make cash payments upon conversions thereof.