Risk Factors Comparison 2024-03-20 to 2023-03-22 Form: 10-K

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If any of the following risks actually occur, or other risks that we are not aware of become material, our business, financial condition, results of operations and future prospects could be materially and adversely affected. Summary Risk Factors Our business faces significant risks. The risk factors described below are only a summary of the principal risk factors associated with an investment in us. These risks are more fully described in this " Risk Factors " section, including the following: Risks Related to Our Business and Operations • Our recent growth rates may not be sustainable or indicative of our future growth and we may not be able to successfully manage challenges to our future growth. • **Business disruptions** ~~The COVID- 19 pandemic~~ and ~~related government, private sector and individual consumer~~ responsive actions may adversely affect our business operations ~~, employee availability~~ , financial performance, liquidity and cash flow for an unknown period of time. • ~~The COVID- 19 pandemic has had and may continue to have an adverse effect on our labor workforce availability and supply chain operations in unpredictable ways. •~~ If we fail to acquire and retain new customers, or fail to do so in a cost- effective manner, we may be unable to increase net sales, improve margins **,** and maintain profitability. • If we fail to manage our growth effectively, our business, financial condition, and results of operations could be materially and adversely affected. • Our continued success is largely dependent on positive perceptions of ~~our~~ **the** ~~company~~ **Company** . • We have a history of losses and may generate operating losses as we continue to expand our business. • We may be unable to accurately forecast net sales and appropriately plan our expenses in the future. • Our estimate of the size of our addressable ~~market~~ **markets** may prove to be inaccurate. • We may be unable to source additional suppliers ~~,~~ or strengthen our existing relationships with suppliers. In addition, the loss of any of our key suppliers would negatively impact our business. • Shipping is a critical part of our business and any changes in, or disruptions to, our shipping arrangements could adversely affect our business, financial condition, and results of operations. • If we do not successfully optimize, operate **,** and manage the expansion of the capacity of our fulfillment centers, our business, financial condition, and results of operations could be harmed. • Our business may be adversely affected if we are unable to provide our customers with a cost- effective platform that is able to respond and adapt to rapid changes in technology. • We are subject to risks related to online payment methods. • Any significant interruptions or delays in service...... condition, and results of operations. Our business depends on network and mobile infrastructure, our third- party data center hosting facilities (including cloud- service providers), other third- party providers, and our ability to maintain and scale our technology. Any significant interruptions or delays in service on our ~~website~~ **websites** or mobile applications or any undetected errors or design faults could result in limited capacity, reduced demand, processing delays, and loss of customers or suppliers. ~~and supply chain could be disrupted by natural or man- made disasters including severe weather,hurricanes,earthquakes,floods,fires,power or water shortages,telecommunications failures,materials scarcity and price volatility,terrorism,civil unrest,conflicts or wars,and health epidemics or pandemics~~ .Several of our fulfillment centers,customer service centers,and corporate offices are located in Florida,Texas,and other areas that are susceptible to hurricanes,sea- level rise,earthquakes,and other natural disasters and severe weather events (including those resulting from climate change). **Recent intense weather conditions may cause property insurance premiums to significantly increase in the future.** We recognize that the frequency and intensity of ~~natural disasters and~~ severe weather events **,sea- level rise,and other climatic changes** may continue to increase,and as a result,our exposure to these events may increase.A potential result of climate change is more frequent or severe natural disasters or weather events.To the extent such natural disasters or weather events do become more frequent or severe,disruptions to our business and costs to repair facilities or maintain or resume operations could increase.The long- term impacts of climate change **,whether involving physical risks or transition risks,** may be widespread and unpredictable.These changes over time could also affect,for example,the availability and cost of our products,insurance,commodities and energy (including utilities),which in turn may impact our ability to procure those certain goods or services required for the operation of our business.Therefore,we may experience certain risks,including higher costs,such as uninsured property losses and higher insurance premiums,as well as unexpected disruptions to our business and operations,which could materially and adversely affect our business,financial condition and results of operations. ~~Public health crises and the measures taken~~ **We may seek to grow our business through acquisitions of,or investments** in ~~response~~ **,new or complementary businesses,facilities,technologies,offerings or products,or through strategic alliances,and the failure** to ~~such events~~ **manage these acquisitions,investments or other strategic alliances,or to integrate them with our existing business,could** have **a material adverse effect** ~~negatively impacted and may negatively impact our business operations in the future as well.The extent to which any public health crisis may impact our business will depend~~ on **us** An element of our strategy is to generate a high volume of traffic on, and use of, our ~~website~~ **websites** and mobile applications. Our reputation and ability to acquire, retain and serve our customers are dependent upon the reliable performance of our ~~website~~ **websites** ~~and~~ **,** mobile applications **, on- premises systems** and the underlying network infrastructure. As our customer base and the amount of information shared on our ~~website~~ **websites** and mobile applications continue to grow, we are likely to need an increasing amount of network capacity and computing power. We have spent and expect to continue to spend substantial amounts on data centers, including cloud providers, and equipment and related network infrastructure to handle the traffic on our ~~website~~ **websites** and mobile applications. The operation of these systems is complex and we have experienced minor interruptions, which could increase in severity and result in operational failures. In some cases, **we access platforms ran by** third- party cloud providers ~~run their own platforms that we access~~ , **which makes us** ~~and we are, therefore,~~ vulnerable to their service interruptions. In the event that the volume of traffic of our customers exceeds the capacity of our current network infrastructure or in the event that our customer base or the amount of traffic on our ~~website~~ **websites** and mobile applications grows more quickly than anticipated, we may be required to incur significant additional costs to enhance the underlying network infrastructure. Significant interruptions or delays in these systems, whether due to system failures, computer viruses, physical or electronic break- ins, undetected errors, design faults or other unexpected events or causes, could affect the security or availability of our ~~website~~ **websites** and mobile applications and prevent our customers from accessing our ~~website~~ **websites** and mobile applications. If sustained or repeated, these performance issues could reduce the attractiveness of our products and services. In addition, the costs and complexities involved in expanding and upgrading our systems may prevent us from doing so in a timely manner and may prevent us from adequately meeting the demand placed on our systems. Any web or mobile platform interruption or inadequacy that causes performance issues or interruptions in the availability of our ~~website~~ **websites** or mobile applications could reduce consumer satisfaction and result in a reduction in the number of consumers using our products and services. We depend on the development and maintenance of the Internet and mobile infrastructure. This includes maintenance of reliable Internet and mobile infrastructure with the necessary speed, data capacity and security, as well as timely development of complementary products, for providing reliable Internet and mobile access. We also use and rely on services from other third parties, such as our telecommunications services and credit card processors, and those services may be subject to outages and interruptions that are not within our control. We have experienced telecommunication issues and increased failures by our telecommunications providers may interrupt our ability to provide phone support to our customers and distributed denial- of- service (" DDoS ") attacks directed at our telecommunication service providers could prevent customers from accessing our ~~website~~ **websites** . In addition, we have ~~in the past~~ and may **continue to** ~~in the future~~ experience down periods where our third- party credit card processors are unable to process the online payments of our customers and our ability to receive customer orders is disrupted. Our business, financial condition, and results of operations could be materially and adversely affected if for any reason the reliability of our Internet, telecommunications, payment systems and mobile infrastructure is compromised. We currently rely upon third- party service providers, including cloud service providers, such as Amazon Web Services (" AWS "). Nearly all of our data storage and analytics are conducted on, and the data and content we create associated with sales on our ~~website~~ **websites** and mobile applications are processed through ~~,~~ servers hosted by these providers. We also rely on e- mail service providers, bandwidth providers, Internet service providers and mobile networks to deliver e- mail and " push " communications to customers and to allow customers to access our ~~website~~ **websites . We have experienced and may again experience cybersecurity incidents due to disruptions to systems maintained by third- party service providers** . Any significant damage to, or failure of, our systems or the systems of our third- party data centers, ~~including cloud service providers,~~ or our other service providers could result in prolonged interruptions to the availability or functionality of our ~~website~~ **websites** and mobile applications. As a result, we could lose customer data and miss order fulfillment deadlines, which could result in decreased sales, increased overhead costs, excess inventory and product shortages. If for any reason our arrangements with our data centers, cloud service providers or other third- party providers are terminated or interrupted, such termination or interruption could adversely affect our business, financial condition, and results of operations. We exercise little control over these providers, which increases our vulnerability to problems with the services they provide. We have designed certain of our software and computer systems to also utilize data processing, storage capabilities and other services provided by AWS. Given this, along with the fact that we cannot rapidly switch our AWS operations to another cloud provider, any disruption of or interference with our use of AWS would impact our operations and our business would be adversely impacted. We could experience additional expense in arranging for new facilities, technology, services and support. In addition, the failure of our third- party data centers, including cloud service providers, or any other third- party providers to meet our capacity requirements could result in interruption in the availability or functionality of our ~~website~~ **websites** and mobile applications. The satisfactory performance, reliability and availability of our ~~website~~ **websites** , mobile applications, transaction processing systems and technology infrastructure are critical to our reputation and our ability to acquire and retain customers, as well as to maintain adequate customer service levels. We have experienced unavailability of our ~~website~~ **websites** and mobile applications, primarily due to DDoS events, and increased unavailability of our ~~website~~ **websites** or of our mobile applications or reduced order fulfillment performance would reduce the volume of goods sold and could also materially and adversely affect consumer perception of our brand. Any slowdown or failure of our ~~website~~ **websites** , mobile applications or the underlying technology infrastructure could harm our business, reputation and our ability to acquire, retain and serve our customers. The occurrence of a natural disaster, power loss, telecommunications failure, data loss, computer virus, ransomware attack, an act of terrorism, cyberattack, vandalism or sabotage, act of war or any similar event, or a decision to close our third- party data centers on which we normally operate or the facilities of any other third- party provider without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in the availability of our ~~website~~ **websites** and mobile applications. Cloud computing, in particular, is dependent upon having access to an Internet connection in order to retrieve data. If a natural disaster, pandemic, blackout or other unforeseen event were to occur that disrupted the ability to obtain an Internet connection, we may experience a slowdown or delay in our operations. While we have some limited business continuity arrangements in place, our preparations may not be adequate to account for disasters or similar events that may occur in the future and may not effectively permit us to continue operating in the event of any problems with respect to our systems or those of our third- party data centers or any other third- party facilities. Our business continuity and data redundancy plans may be inadequate, and our business interruption insurance may not be sufficient to compensate us for the losses that could occur. If any such event were to occur to our business, our operations could be impaired and our business, financial condition, and results of operations may be materially and adversely affected. Disruptions to software- as- a- service (" SaaS ") technologies from third parties may adversely affect our business and results of operations. We use SaaS technologies from third- parties in order to operate critical functions of our business, including financial management services, customer relationship management services, supply chain services and data storage services. If these services become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices, or for any other reason, our expenses could increase, our ability to manage our finances could be interrupted, our processes for managing sales of our offerings and supporting our customers could be impaired, our ability to communicate with our suppliers could be weakened and our ability to access or save data stored to the cloud may be impaired until equivalent services, if available, are identified, obtained and implemented, all of which could harm our business, financial condition, and results of operations. As a result of our services being **primarily** web- based, we collect, process, transmit and store large amounts of data about our customers, employees, suppliers and others, including credit card information (which we don' t store) and personally identifiable information, as well as other confidential and proprietary information. We also employ third- party service providers for a variety of reasons, including storing, processing and transmitting proprietary, personal and confidential information on our behalf. While we rely on tokenization solutions licensed from third- parties in an effort to securely transmit confidential and sensitive information, including credit card numbers, advances in computer capabilities, new technological discoveries or other developments may result in the whole or partial failure of these solutions to protect confidential and sensitive information from being breached or compromised. Similarly, our security measures ~~,~~ and those of our third- party service providers ~~,~~ may not detect or prevent all attempts to hack our systems or those of our third- party service providers. DDoS attacks, viruses, malicious software, break-ins, phishing attacks, ransomware, social engineering, **cyber- attacks,** security breaches or other cybersecurity incidents and similar disruptions that may jeopardize the security of information stored in or transmitted by our ~~website~~ **websites** , networks and systems or that we or our third- party service providers otherwise maintain, including payment card systems, may subject us to fines or higher transaction fees or limit or terminate our access to certain payment methods. We and our service providers may not anticipate or prevent all types of attacks until after they have already been launched, and techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers. In addition, cybersecurity incidents can also occur as a result of non- technical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships. Breaches of our security measures or those of our third- party service providers or any cybersecurity incident could result in unauthorized access to our ~~website~~ **websites** , networks and systems; unauthorized access to and misappropriation of consumer and / or employee information, including personally identifiable information, or other sensitive, confidential or proprietary information of ourselves or third parties; viruses, worms, spyware or other malware being served from our ~~website~~ **websites** , networks or systems; deletion or modification of content or the display of unauthorized content on our ~~website~~ **websites** ; interruption, disruption or malfunction of operations; costs relating to cybersecurity incident remediation, deployment of additional personnel and protection technologies, response to governmental investigations and media inquiries and coverage; engagement of third party experts and consultants; litigation, regulatory action and other potential liabilities. If any of these cybersecurity incidents occur, or there is a public perception that we, or our third- party service providers, have suffered such a breach, our reputation and brand could also be damaged and we could be required to expend significant capital and other resources to alleviate problems caused by such cybersecurity incidents. As a consequence, our business could be materially and adversely affected and we could also be exposed to litigation and regulatory action and possible liability. In addition, any party who is able to illicitly obtain a customer' s password could access the customer' s transaction data or personal information. Any compromise or breach of our security measures, or those of our third- party service providers, could violate applicable privacy, data security and other laws, and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, which could have a material adverse effect on our business, financial condition, and results of operations. This is more so since governmental authorities throughout the U. S. and around the world are devoting more attention to data privacy and security issues. While we maintain privacy, data breach and network security liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Additionally, even though we continue to devote significant resources to monitor and update our systems and implement information security measures to protect our systems, there can be no assurance that any controls and procedures we have in place will be sufficient to protect us from future cybersecurity incidents. Failure by us or our vendors to comply with data security requirements or rectify a security issue may result in class action litigation, fines and the imposition of restrictions on our ability to accept payment cards, which could adversely affect our operations. As cyber threats are continually evolving, our controls and procedures may become inadequate and we may be required to devote additional resources to modify or enhance our systems in the future. As a result, we may face interruptions to our systems, reputational damage, claims under privacy, cybersecurity and data protection laws and regulations, customer dissatisfaction, legal liability, enforcement actions or additional costs, any and all of which could adversely affect our business, financial condition, and results of operations. We could be adversely affected if consumers lose confidence in the safety and quality of our ~~vendor supplied or private brand~~ food or other products. All of our suppliers are required to comply with applicable product safety laws and we are dependent upon them to ensure such compliance. One or more of our suppliers, including manufacturers of our private brand products, might not adhere to product safety requirements or our quality control standards. Any issues of product safety or allegations that our products are in violation of governmental regulations, including, but not limited to, issues involving products manufactured in foreign countries, could cause those products to be recalled. Adverse publicity about these types of concerns, whether valid or not, may discourage consumers from buying the products we offer, or cause supplier production and delivery disruptions. The real or perceived sale of contaminated food products by us could result in product liability claims against our suppliers or us, expose us or our suppliers to governmental enforcement action or private litigation, or lead to costly recalls and a loss of consumer confidence, any of which could have an adverse effect on our business, financial condition ~~,~~ and results of operations. In addition, our products may be exposed to product recalls, and we may be subject to litigation, if they are alleged to cause or pose a risk of injury or illness or if they are alleged to have been mislabeled, misbranded or adulterated or to otherwise be in violation of governmental regulations. We may also voluntarily recall or withdraw products that we consider do not meet our standards, whether for palatability, appearance or otherwise, in order to protect our brand and reputation. While we carry product liability insurance, our insurance may not be adequate to cover all liabilities that we may incur in connection with product liability claims. For example, punitive damages are generally not covered by insurance. In addition, we may be unable to continue to maintain our existing insurance, obtain comparable insurance at a reasonable cost, if at all, or secure additional coverage, which may result in future product liability claims being uninsured. Any of these factors could negatively impact our business, financial condition, and results of operations. Risks associated with our suppliers and our outsourcing partners, many of which are located outside of the U. S., could materially and adversely affect our business, financial condition, and results of operations. We depend on a number of suppliers and outsourcing partners to provide our customers with a wide range of products in a timely and efficient manner. A significant portion of our suppliers for our private brand business and our non-consumable business are located in China and if we are unable to maintain our relationships with our existing outsourcing partners or cannot enter into relationships with new outsourcing partners to meet the manufacturing and assembly needs of our private brand business, our private brand business may be disrupted and our business, financial condition, and results of operations may be materially and adversely affected. In addition, political and economic instability, the financial stability of our suppliers and outsourcing partners and their ability to meet our standards, conflict and hostilities, labor problems, the availability and prices of raw materials, merchandise quality issues, currency exchange rates, transport availability and cost, transport security, inflation, natural disasters and epidemics, tariffs, taxes, export controls, trade restrictions and sanctions, among other factors, are beyond our control and may materially and adversely affect our suppliers and outsourcing partners and, in turn, our business, financial condition, and results of operations. ~~For example, governments, public institutions and other organizations in countries and regions took certain emergency measures to combat the spread and impact of COVID- 19, including the implementation of travel bans and closures of factories, schools, public buildings, businesses and other institutions. It remains difficult to assess or predict the ultimate impact of COVID- 19 and the emergence and severity of COVID- 19 variants.~~ Our business has been affected by, and may continue to be affected by, disruptions or restrictions on our employees' and other service providers' ability to travel, temporary closures of our facilities, including one or more of our fulfillment centers or customer service centers, or the facilities of our suppliers and other vendors in our supply chain. In addition to the potential direct effects on us of ~~COVID- 19 or~~ any ~~similar epidemic~~ **events beyond** ~~or~~ **our** ~~pandemic~~ **control such as a public health crisis** , we could be materially adversely impacted, including from any disruption to critical vendor services or losses of business, if any of our suppliers face significant business disruptions ~~as a result of COVID- 19 or any similar outbreak~~ . In addition, ~~the~~ **continued and ongoing international** conflict ~~between Russia and Ukraine~~ has led to disruption, instability and volatility in the global markets and industries that could negatively impact our operations. The U. S. government and other governments have imposed severe sanctions and export controls against Russia and Russian interests **in connection with the conflict between Russia and Ukraine** and threatened additional sanctions and controls. The impact of the conflict and any sanctions or other measures implemented as a result is currently unknown and could adversely affect our business, supply chain, partners or customers. Moreover, there is uncertainty regarding the future of international trade agreements and the U. S.' position on international trade. For example, the U. S. government has previously threatened to undertake a number of actions relating to trade with certain countries, including the imposition of escalating tariffs on goods imported into the U. S. and sanctions on certain countries due to violations of product safety, labor, human rights, or other laws. In addition, the U. S. government has previously raised tariffs, and imposed new tariffs, on a wide range of imports of Chinese products. The U. S. federal government may also withdraw from or materially modify international trade agreements. Additional trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us and to our suppliers ~~based in the U. S.~~ and may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition, and results of operations. We are subject to ~~extensive governmental regulation and we may incur material liabilities or costs related to complying with existing or future laws and regulations, and our failure to comply may result in enforcements, penalties, recalls, and other adverse actions. We are subject to~~ a broad range of federal, state, local, and foreign laws and regulations including those intended to protect public and worker health and safety, natural resources and the environment. Our operations ~~, including our outsourced private brand manufacturing partners,~~ are subject to regulation by the Occupational Safety and Health Administration (" OSHA "), the Food and Drug Administration (the " FDA "), the Department of Agriculture (the " USDA ") and ~~various~~ other federal, state, local and foreign authorities regarding the processing, packaging, storage, distribution, advertising, labeling and export of our products, including food safety standards. In addition, we and our ~~outsourced private brand manufacturing~~ partners are subject to additional regulatory requirements, including environmental, health and safety laws and regulations administered by the U. S. Environmental Protection Agency, state, local and foreign environmental, health and safety legislative and regulatory authorities and the National Labor Relations Board, covering such areas as discharges and emissions to air and water, the use, management, disposal and remediation of, and human exposure to, hazardous materials and wastes, and public and worker health and safety. These laws and regulations also govern our relationships with employees, including minimum wage requirements, overtime, terms and conditions of employment, working conditions and citizenship requirements. Violations of or liability under any of these laws and regulations may result in administrative, civil or criminal fines, penalties or sanctions against us, revocation or modification of applicable permits, licenses or authorizations, environmental, health and safety investigations or remedial activities, voluntary or involuntary product recalls, warning or untitled letters or cease and desist orders against operations that are not in compliance, among other things. Such laws and regulations generally have become more stringent over time and may become more so in the future, and we may incur (directly ~~,~~ or indirectly ~~through our outsourced private brand manufacturing partners~~) material costs to comply with current or future laws and regulations or in any required product recalls. Liabilities or costs of compliance ~~, and the impacts on us of any non- compliance,~~ with any such laws and regulations could materially and adversely affect our business, financial condition, and results of operations. In addition, changes in ~~the~~ **these** laws and regulations ~~to which we are subject~~ could impose significant limitations and require changes to our business, which may increase our compliance expenses, make our business more costly and less efficient to conduct, and compromise our growth strategy. Among other regulatory requirements, the FDA reviews the inclusion of certain claims in pet food labeling. For example, pet food products that are labeled or marketed with claims that may suggest that they are intended to treat or prevent disease in pets would potentially meet the statutory definitions of both a food and a drug. The FDA has issued guidance containing a list of specific factors it will consider in determining whether to initiate enforcement action against such products if they do not comply with the regulatory requirements applicable to drugs. These factors include, among other things, whether the product is only made available through or under the direction of a veterinarian and does not present a known safety risk when used as labeled. While we believe that we market our products in compliance with the policy articulated in the FDA' s guidance and in other claim- specific guidance, the FDA may disagree or may classify some of our products differently than we do and may impose more stringent regulations which could lead to alleged regulatory violations, enforcement actions and product recalls. In addition, we may produce new products in the future that may be subject to FDA pre- market review before we can market and sell such products. From time- to- time the FDA, the Association of American Feed Control Officials, or state regulatory authorities may enact a regulation, requirement or other guidance that impacts pet food packaging, labeling, or marketing materials. As a result, we may need to incur material costs to change our packaging, labeling, or marketing to comply with such regulation or requirement and could be subject to liabilities if we fail to timely comply with such requirements, which could have a material adverse effect on our business, financial condition, and results of operations. In addition to enforcement actions initiated by government agencies, there has been an increasing tendency in the U. S. among pharmaceutical companies to resort to the courts and industry and self- regulatory bodies to challenge comparative prescription drug advertising on the grounds that the advertising is false and deceptive. Through the years, there has been a continuing expansion of specific rules, prohibitions, media restrictions, labeling disclosures, and warning requirements with respect to the advertising for certain products. These developments and others related to government regulation could have a material adverse effect on our reputation, business, financial condition, and results of operations. The sale and delivery of prescription pet medications and the provision of pharmacy **, veterinary,** and telehealth services are generally governed by federal and state laws and regulations ~~,~~ and are subject to extensive oversight by state and federal governmental authorities. Governmental authorities that regulate our business have broad latitude to make, interpret, and enforce the applicable laws and regulations and they continue to interpret and enforce those laws and regulations more strictly and more aggressively each year. We are currently and may in the future continue to be subject to routine administrative inquiries related to our pharmacy **, veterinary,** and telehealth services businesses. We cannot assure you that we will not be subject to reprimands, sanctions, probations or fines, or that one or more of our licenses will not be suspended or revoked, or that our ability to offer pharmacy and telehealth services will not be challenged, in connection with these complaints or otherwise. Our insurance ~~and~~ **,** pharmacy **, and veterinary** businesses also involve the provision of professional services ~~,~~ that could expose us to professional liability claims. Our pharmacy business is subject to risks inherent in the dispensing, packaging and distribution of drugs and other health care products and services, including claims related to purported dispensing and other operational errors. **Our veterinary business is subject to risks inherent in the administration of veterinary services, including claims relating to veterinary malpractice.** Any failure to adhere to the laws and regulations applicable to the dispensing of drugs **or provision of veterinary services** could subject our businesses to administrative, civil and criminal penalties. If we are unable to maintain the licenses granted by relevant state authorities in connection with our insurance ~~and~~ **,** pharmacy **, and veterinary** businesses, or if we become subject to actions by the FDA or other regulators, our dispensing of prescription medications to pet parents could cease and we may be subject to reprimands, sanctions, probations or fines, which could have a material adverse effect on our business, financial condition, and results of operations. The laws and regulations relating to the sale and delivery of prescription pet medications vary from state to state, but generally require that prescription pet medications be dispensed with authorization from a prescribing veterinarian. Some veterinarians resist providing customers with a copy of their pet' s prescription or authorizing the prescription to our pharmacy staff, thereby effectively preventing us from filling such prescriptions under applicable law. Certain veterinarians have also tried to discourage pet owners from purchasing prescription medication from Internet mail order pharmacies. If the number of veterinarians who refuse to authorize prescriptions to our pharmacy staff increases, or if veterinarians are successful in discouraging pet owners from purchasing from us, our sales could decrease and our financial condition and results of operations may be materially adversely affected. ~~We compete~~ **Failure to comply** with **laws** ~~veterinarians for the sale of pet medications and other health products. Veterinarians hold a competitive advantage because many pet owners may find it more convenient or preferable to purchase prescription medications directly from their veterinarians at the time of an~~ **and regulations relating to privacy** ~~office visit. We also compete with online and traditional retailers~~ , ~~who may hold a competitive advantage because~~ **data protection, cybersecurity, marketing and advertising and consumer protection could adversely affect our business, financial condition, and results** of ~~longer operating~~ **operations** ~~histories, established brand names, greater resources, and / or a more established customer base~~ . We rely on a variety of **advertising and** marketing techniques, including email and social media marketing and postal mailings ~~,~~ and we are subject to various laws and regulations that govern such ~~marketing and advertising~~ practices. A variety of **applicable** ~~federal and state~~ laws and regulations govern the collection, use, retention, sharing and security of consumer data, particularly in the context of online advertising which we rely upon to attract new customers. In addition, we also collect, store, and transmit employees' health information for certain reasons, such as administering employee benefits; accommodating disabilities and injuries; complying with public health requirements; and maintaining employee safety in the workplace. Laws and regulations relating to privacy, data protection, cybersecurity, **advertising and** marketing ~~and advertising~~ , and consumer protection are evolving and subject to potentially differing interpretations. These requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. As a result, our practices may not have complied or may not comply in the future with all such laws, regulations, requirements and obligations. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any

~~federal or state~~ privacy or consumer protection- related laws, regulations, industry self- regulatory principles, industry standards or codes of conduct, regulatory guidance, orders to which we may be subject or other legal obligations relating to privacy or consumer protection could adversely affect our reputation, brand and business, and may result in claims, liabilities, proceedings or actions against us by governmental entities, customers, suppliers or others, or may require us to change our operations and / or cease using certain data sets. Any such claims, proceedings or actions could hurt our reputation, brand and business, force us to incur significant expenses in defense of such proceedings or actions, distract our management, increase our costs of doing business, result in a loss of customers and suppliers and result in the imposition of monetary penalties. We may also be contractually required to indemnify and hold harmless third parties from the costs or consequences of non- compliance with any laws, regulations or other legal obligations relating to privacy, data protection, cybersecurity or consumer protection or any inadvertent or unauthorized use or disclosure of data that we store or handle as part of operating our business. ~~Federal and state governmental~~ **Governmental** authorities continue to evaluate the privacy implications inherent in the use of third- party " cookies " and other methods of online tracking for behavioral advertising and other purposes. The U. S. government and state governments have enacted, have considered or are considering enacting, legislation or regulations that could significantly restrict the ability of companies and individuals to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools or the use of data gathered with such tools. Additionally, some providers of consumer devices and web browsers have implemented, or announced plans to implement, means to make it easier for Internet users to prevent the placement of cookies or to block other tracking technologies, which could result in the use of third- party cookies and other methods of online tracking becoming significantly less effective. The regulation of the use of these cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such technologies could increase our costs of operations and limit our ability to acquire new customers on cost- effective terms and consequently, materially and adversely affect our business, financial condition, and results of operations. In addition, various ~~federal and state~~ legislative and regulatory bodies, or self- regulatory organizations, may expand current laws or regulations, enact new laws or regulations or issue revised rules or guidance regarding privacy, data protection, cybersecurity, consumer protection, and advertising. For example, in June 2018, the State of California enacted the California Consumer Privacy Act of 2018 (the " CCPA "), which became effective on January 1, 2020. The CCPA requires companies that process information of California residents to make new disclosures to consumers about their data collection, use and sharing practices, and allows consumers to opt out of selling their data to third parties and provides a new cause of action for data breaches. Further, ~~on November 3, 2020,~~ the California Privacy Rights Act (the " CPRA ") **became effective on January 1, 2023 and** ~~was voted into law by California residents. The CPRA~~ significantly amends the CCPA **by imposing** ~~, and imposes~~ additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data. It also creates a new California data protection agency specifically tasked to enforce the law, which could result in increased regulatory scrutiny of businesses conducting activities in California in the areas of data protection and security. ~~The substantive requirements for businesses subject to the CPRA went into effect on January 1, 2023, and will be enforced effective from July 1, 2023.~~ Other states in which we operate have also enacted laws similar to CPRA and similar laws have been proposed in other states and at the federal level **in the U. S.** , and if passed, such laws may have potentially conflicting requirements that would make compliance challenging. Additionally, the Federal Trade Commission (the " FTC ") and many state attorneys general are interpreting ~~federal and state~~ consumer protection laws to impose standards for the online collection, use, dissemination and security of data. Consumer protection laws require us to publish statements that describe how we handle personal data and choices individuals may have about the way we handle their personal data. If such information that we publish is considered untrue, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Further, according to the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal data secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5 (a) of the Federal Trade Commission Act **. Additionally, government entities in Canada have enacted and continue to enact laws that may restrict our ability to attract new customers through our certain advertising and marketing technologies** . Each of these privacy, security, and data protection laws and regulations, and any other such changes or new laws or regulations, could impose significant limitations, require changes to our business, impose fines and other penalties or restrict our use or storage of personal information, which may increase our compliance expenses and make our business more costly or less efficient to conduct. Any such changes could compromise our ability to develop an adequate marketing strategy and pursue our growth strategy effectively, which, in turn, could adversely affect our business, financial condition, and results of operations. Our ability to use our federal and state net operating losses and tax credits, and other tax attributes to offset potential future taxable income and related income taxes that would otherwise be due is dependent upon our generation of future taxable income, and we cannot predict with certainty when, or whether, we will generate sufficient taxable income to use all of our accumulated tax benefits. In addition, Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the " Code "), contain rules that impose an annual limitation on the ability of a company with net operating loss and tax credit carryforwards that undergoes an ownership change, which is generally any change in ownership of more than 50 % of its stock (by value) over a three- year period, to utilize its net operating loss carryforwards in years after the ownership change. These rules generally operate by focusing on ownership changes among holders owning directly or indirectly 5 % or more of the shares of stock of a company or any change in ownership arising from a new issuance of shares of stock by such company. If a company' s income in any year is less than the annual limitation prescribed by Sections 382 and 383 of the Code, the unused portion of such limitation amount may be carried forward to increase the limitation (and net operating loss and tax credit carryforward utilization) in subsequent tax years. In addition to the aforementioned federal income tax implications pursuant to Sections 382 and 383 of the Code, most states follow the general provisions of Sections 382 and 383 of the Code, either explicitly or implicitly resulting in separate state net operating loss and tax credit limitations. We regard our brand, customer lists, trademarks, trade dress, domain names, trade secrets, patents, proprietary technology and similar intellectual property as critical to our success. We rely on trademark, copyright and patent law, trade secret protection, agreements and other methods with our employees and others to protect our proprietary rights. Effective intellectual property protection may not be available in every country in which **we operate** ~~our products are, or may be made, available~~ . The protection of our intellectual property rights may require the expenditure of significant financial, managerial and operational resources. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights, and we may be unable to broadly enforce all of our intellectual property rights. Any of our intellectual property rights may be challenged ~~by others~~ or invalidated through administrative process or litigation. Our patent and trademark applications may never be granted. Additionally, the process of obtaining patent protection is expensive and time- consuming, and we may be unable to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these patents will adequately protect our intellectual property, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights are uncertain. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights. Furthermore, our confidentiality agreements may not effectively prevent disclosure of our proprietary information, technologies and processes and may not provide an adequate remedy in the event of unauthorized disclosure of such information. We might be required to spend significant resources to monitor and protect our intellectual property rights. For example, we have initiated and may again initiate claims or litigation against others for infringement, misappropriation or violation of our intellectual property rights or other proprietary rights or to establish the validity of such rights. However, we may be unable to discover or determine the extent of any infringement, misappropriation or other violation of our intellectual property rights and other proprietary rights. Despite our efforts, we may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights and other proprietary rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel, which may materially and adversely affect our business, financial condition, and results of operations. In addition, our technology platform may...... condition, and results of operations. Third parties have from time to time claimed, and may claim in the future, that we have infringed their intellectual property rights. These claims, whether meritorious or not, could be time- consuming, result in considerable litigation costs, require significant amounts of management time or result in the diversion of significant operational resources and expensive changes to our business model, result in the payment of substantial damages or injunctions against us, or require us to enter into costly royalty or licensing agreements, if available. In addition, we may be unable to obtain or ~~utilize on terms that are favorable to us~~ **use** ~~, or at all,~~ licenses or other rights with respect to intellectual property we do not own. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims. Any payments we are required to make and any injunctions we are required to comply with as a result of these claims could materially and adversely affect our business, financial condition, and results of operations. Our business involves ~~a risk~~ **risks** of personal injury, workers' compensation, product liability, **labor** ~~discrimination, harassment, wrongful termination, wage~~ and ~~hour~~ **employment** , and other claims in the ordinary course of business. Product liability claims from customers and product recalls for merchandise alleged to be defective or harmful could lead to the disposal or write- off of merchandise inventories, the incurrence of fines or penalties **, the provision of customer credits, increased labor costs** , and damage to our reputation. We maintain general liability insurance with a self- insured retention and workers' compensation insurance with a deductible for each occurrence. We also maintain umbrella insurance above the primary general liability and product liability coverage. In many cases, we have indemnification rights against the manufacturers of our products and are entitled to coverage under their products liability **and product recall** insurance. Our ability to recover costs and damages under such insurance or indemnification arrangements is subject to the financial viability of the insurers ~~,~~ **and** manufacturers **, the terms of the policy** , and the specific allegations of a claim. No assurance can be given that ~~our~~ **any** insurance coverage or the manufacturers' indemnity will be available or sufficient in any claims brought against **or losses incurred by** us. Additionally, we are subject to ~~U. S.~~ federal, state, and local employment laws that expose us to potential liability if we are determined to have violated such employment laws. This includes, but is not limited to, laws related to **wages, hours worked and** ~~the~~ **other** terms and conditions of employment; unlawful discrimination, harassment, retaliation, or failure to accommodate; and wrongful termination. Compliance with these laws, including the remediation of any alleged violation, may have a material adverse effect on our business or results of operations. We rely on the performance of members of management and highly skilled personnel ~~,~~ and ~~if we are unable to attract, develop, motivate and retain highly qualified and skilled employees,~~ our business could be harmed **if we are unable to attract, develop, motivate, and retain highly qualified and skilled employees** . Our ability to maintain our competitive position is largely dependent on the services of our senior management and other key personnel. In addition, our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. The ~~current~~ market for such positions ~~is~~ **has been and may continue to be** highly competitive ~~. Qualified individuals are in high demand~~ and we may incur significant costs to attract and retain ~~them~~ **qualified individuals** . In addition, the loss of any of our senior management or other key employees or our inability to recruit and develop mid- level managers could materially and adversely affect our ability to execute our business plan and we may be unable to find adequate replacements. Other than our CEO, CFO and certain other senior executives, all of our employees are at- will employees, meaning that they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be ~~extremely~~ difficult to replace. If we fail to retain talented senior management and other key personnel, or if we do not succeed in attracting highly- qualified employees or motivating and retaining existing employees, our business, financial condition, and results of operations may be materially and adversely affected. ~~Uncertainties in economic conditions~~ **We compete with other retailers for the personnel to staff our fulfillment centers** , ~~industry trends~~ **some of whom are larger than us and have access to greater**

capital resources than we do. If we are unable to successfully recruit and retain personnel to staff our fulfillment centers , **we may face labor shortages or be forced to increase wages and enhance benefits for such personnel, which may have** ~~and~~ - **an** ~~market conditions, and~~ **adverse effect on our results of operations. Employee availability may be affected if a significant number of employees are limited in** their **ability to work at, or travel to, our locations due to disruptions to our business. Future actions in response to certain events by federal, state or local authorities, including those that order the shutdown of non- essential businesses or limit the ability of our employees to travel to work, could** impact ~~on the pet~~ **our ability to take or fulfill our customers' orders and operate our business and we may be unable to fully meet our customers' demands for our** products ~~market, could adversely impact our business, financial condition,~~ and **services** ~~results of operations~~ . Our results of operations are sensitive to changes in certain ~~macro- economic~~ **macroeconomic** conditions that impact the pet ~~products~~ market, which could adversely impact our business, financial condition, and results of operations. Factors such as inflation and rising interest rates **have affected us and** can adversely affect us by increasing costs of materials and labor. In a highly inflationary environment, we may be unable to raise the price of our products and services at or above the rate of inflation, which could reduce our profitability. In addition, our ~~cost~~ **costs** of capital, labor and materials can **materially** increase, which could have an adverse impact on our business, financial condition, and results of operations. Deflation could cause an overall decrease in spending and borrowing capacity, which could lead to deterioration in economic conditions and employment levels. Deflation could also cause the value of our inventories to decline. Other uncertainties in economic conditions that impact the pet products market and its participants, such as our vendors, suppliers, and investors, may also adversely affect our business, financial condition, and results of operations. Some of the factors that may affect consumer spending on pet products and services include consumer confidence, levels of unemployment, inflation, interest rates, tax rates and general uncertainty regarding the overall future economic environment. We may experience declines in sales or changes in the types of products sold during economic downturns. Any material decline in the amount of consumer spending or other adverse economic changes could reduce our sales, and a decrease in the sales of higher- margin products could reduce profitability and, in each case, harm our business, financial condition, and results of operations. We allow our customers to return products or offer refunds, subject to our return and refunds policy. If merchandise returns or refunds are significant or higher than anticipated and forecasted, our business, financial condition, and results of operations could be adversely affected. Further, we modify our policies relating to returns or refunds from time to time, and may do so in the future, which may result in customer dissatisfaction and harm to our reputation or brand, or an increase in the number of product returns or the amount of refunds we make . Several of our fulfillment centers,...... have a material adverse effect on us . We have acquired and invested in a number of businesses, and we may in the future consider opportunities to acquire or make investments in new or complementary businesses, facilities, technologies, offerings, or products, or enter into strategic alliances, that may enhance our capabilities, expand our outsourcing and supplier network, complement our current products and services or expand the breadth of our markets. Acquisitions, investments and other strategic alliances involve numerous risks, including: • problems integrating the acquired business, facilities, technologies or products, including issues maintaining uniform standards, procedures, controls and policies; • unanticipated costs associated with acquisitions, investments or strategic alliances; • losses we may incur as a result of declines in the value of an investment or as a result of incorporating an investee' s financial performance into our financial results; • diversion of management' s attention from our existing business; • adverse effects on existing business relationships with suppliers, outsourced private brand manufacturing partners, retail partners and distribution customers; • risks associated with entering new markets in which we may have limited or no experience; • potential loss of key employees of acquired businesses; • the risks associated with businesses we acquire or invest in, which may differ from or be more significant than the risks our other businesses face; • potential unknown liabilities associated with a business we acquire or in which we invest; and • increased legal and accounting compliance costs. Our ability to successfully grow through strategic transactions depends upon our ability to identify, negotiate, complete and integrate suitable target businesses, facilities, technologies and products and to obtain any necessary financing. These efforts could be expensive and time- consuming and may disrupt our ongoing business and prevent management from focusing on our operations. As a result of future strategic transactions, we might need to issue additional equity securities, spend our cash, or incur debt (which may only be available on unfavorable terms, if at all), contingent liabilities, impairment charges, or amortization expenses related to intangible assets, any of which could reduce our profitability and harm our business. If we are unable to identify suitable acquisitions, investments or strategic relationships, or if we are unable to integrate any acquired businesses, facilities, technologies, offerings and products effectively, our business, financial condition, and results of operations could be materially and adversely affected. Also, while we employ several different methodologies to assess potential business opportunities, the new businesses or investments may not meet or exceed our expectations or desired objectives. We have expanded our business into **new** ~~the pet insurance market~~ **markets and into new product and service categories and we may continue such expansion** . As a new entrant, we **expect to** face many competitive challenges including competing successfully with incumbent ~~pet insurance~~ providers who **may** have ~~long~~ **longer** operating histories, large customer bases, high brand recognition and greater financial, technical, marketing and other resources than we do. To compete effectively, we may need to invest significant resources to create brand awareness and build our reputation in ~~the~~ **these** ~~market~~ **markets and categories** , and our efforts at building, maintaining and enhancing our reputation could fail. There can be no assurance that we will be able to maintain or enhance our reputation, and failure to do so could materially adversely affect our business, financial condition, and results of operations. If we are unable to maintain or enhance consumer awareness of our brand cost- effectively, our business, results of operations and financial condition could be materially adversely affected. **Regulation of the sale of insurance for pets is subject to change and future regulations could harm our business, operating results, and financial condition.** The laws and regulations governing the offer, sale and purchase of insurance for pets are subject to change ~~,~~ and future changes may be adverse to our business. For example, if a jurisdiction were to alter the requirements for obtaining or maintaining an agent' s license in connection with the enrollment of a member, it could have an adverse effect on our operations. Some states in the U. S. have adopted, and others are expected to adopt, new laws and regulations related to the pet insurance industry. Although model laws are available to guide individual states and business, it is difficult to predict how these or any other new laws and regulations will impact our business, but, in some cases, changes in insurance laws, regulations and guidelines may be incompatible with various aspects of our business and require that we make significant modifications to our existing technology or practices, which may be costly and time-consuming to implement and could also harm our business, operating results and financial condition. Our strategy may include the **continued** expansion of our operations to international markets. Although some of our executive officers have experience in international business from prior positions, we have minimal experience with operations outside the U. S. Our ability to successfully execute this strategy is affected by many of the same operational risks we face in expanding our ~~U. S.~~ operations. In addition, our international expansion may be adversely affected by: our ability to identify and gain access to local suppliers; our ability to staff, develop, and manage foreign operations as a result of distance, language, and cultural differences; our ability to obtain and protect relevant trademarks, domain names, and other intellectual property; and local laws and customs, legal and regulatory constraints, political and economic conditions and currency regulations of the countries or regions in which we operate or intend to operate in the future, including limitations on the repatriation and investment of funds and foreign currency exchange restrictions. Risks inherent in expanding our operations internationally also include, among others, the costs and difficulties of managing international operations, adverse tax consequences, domestic and international tariffs and other barriers to trade. Further, the extent and impact of any sanctions imposed in connection with the escalation of hostilities between Russia and Ukraine, or other geopolitical events, may cause additional financial market volatility and impact the global economy and also impact our strategy of expansion into international markets. The pet products and services health and retail industries ~~is~~ **are** very competitive. We compete with pet product retail stores, supermarkets, warehouse clubs and other mass and general retail and online merchandisers, including e- tailers, many of which are larger than us and have significantly greater capital resources than we do. We also compete with a number of specialty pet supply stores and independent pet stores, catalog retailers and other specialty e- tailers. Many of our current competitors have, and potential competitors may have, longer operating histories, greater brand recognition, larger fulfillment infrastructures, greater technical capabilities, significantly greater financial, marketing and other resources and larger customer bases than we do. These factors may allow our competitors to derive greater net sales and profits from their existing customer base, acquire customers at lower costs or respond more quickly than we can to new or emerging technologies and changes in consumer preferences or habits. These competitors may engage in more extensive research and development efforts, undertake more far- reaching marketing campaigns and adopt more aggressive pricing policies (including but not limited to predatory pricing policies and the provision of substantial discounts), which may allow them to build larger customer bases or generate net sales from their customer bases more effectively than we do. We have been able to compete successfully by differentiating ourselves from our competitors by providing a large selection of high- quality pet food, treats and supplies, competitive pricing, convenience and exceptional customer service. If changes in consumer preferences decrease the competitive advantage attributable to these factors, or if we fail to otherwise positively differentiate our product offering or customer experience from our competitors, our business, financial condition, and results of operations could be materially and adversely affected. In particular, a key component of our business strategy is to rely on our reputation for exceptional customer service. This is done, in part, by recruiting, hiring, training, and retaining employees who share our core values of delivering superior service to our customers and caring about the needs of pet parents and partners. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business, financial condition, and results of operations may be materially and adversely affected. In addition, if we are unable to maintain our current levels of customer service and our reputation for customer service as we grow or otherwise, our net sales may not continue to grow or may decline, and our business, financial condition, and results of operations may be materially and adversely affected. We compete directly and indirectly with veterinarians for the sale of pet medications and other pet health products **and services** . Veterinarians hold a competitive advantage over us because many pet parents may find it more convenient or preferable to purchase these products directly from their veterinarians at the time of an office visit. We also compete directly and indirectly with both online and traditional pet pharmacies. Both online and traditional pet pharmacies may hold a competitive advantage over us because of longer operating histories, established brand names, greater resources, and / or an established customer base. Online pet pharmacies may have a competitive advantage over us because of established affiliate relationships that drive traffic to their website. Traditional pet pharmacies may hold a competitive advantage over us because pet parents may prefer to purchase these products from a store instead of online. In addition, we face growing competition from online and multichannel pet pharmacies, some of whom may have a lower cost structure than ours, as customers now routinely use computers, tablets, smartphones, and other mobile devices and mobile applications to shop online and compare prices and products in real time. In order to effectively compete in the future, we may be required to offer promotions and other incentives, which may result in lower operating margins and in turn adversely affect our results of operations. We also face a significant challenge from our competitors forming alliances with each other, such as those between online and traditional pet pharmacies. These relationships may enable both their retail and online stores to negotiate better pricing and better terms from suppliers by aggregating the demand for products and negotiating volume discounts, which could be a competitive disadvantage to us. We expect competition in the pet products and services health and retail industries, in particular Internet- based competition, generally to continue to increase. If we fail to compete successfully, our business, financial condition, and results of operations could be materially and adversely affected. We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e- commerce. Existing and future regulations and laws could impede the growth of the Internet, e- commerce or mobile commerce, which could adversely affect our growth **. As we grow our business outside of the U. S., we may be exposed to different and more comprehensive regulations and laws that apply to our business** . These regulations and laws may involve taxes, tariffs, privacy and data security, anti- spam, content protection, electronic contracts and communications, consumer protection and Internet neutrality. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e- commerce. It is possible that general business regulations and laws, or those specifically governing the Internet or e- commerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities, customers, suppliers or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our ~~website~~ **websites** and mobile applications by consumers and suppliers and may result in the imposition of monetary liabilities. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non- compliance with any such laws or regulations. As a result, adverse developments with respect to these laws and regulations could harm our business, financial condition, and results of operations. On June 21, 2018, the Supreme Court of the ~~United States~~ **U. S.** (the " Supreme Court ") overturned a prior decision under which e- tailers had not been required to collect sales tax unless they had a physical presence in the buyer' s state. As a result, a state may now enforce or adopt laws requiring e- tailers to collect and remit sales tax even if the e- tailer has no physical presence within the taxing state provided certain conditions are met. In response, an increasing number of states have adopted or are considering adopting laws or administrative practices, with or without notice, that impose sales or similar value added or consumption taxes on e- commerce activity, as well as taxes on all or a portion of gross revenue or other similar amounts earned by an e- tailer from sales to customers in the state. Since October 28, 2018, we have collected sales tax on sales and remitted such tax to the extent required in the states to which we ship. If any state were to assert that we have any liability for sales tax for prior periods and seek to collect such tax in arrears and / or impose penalties for past non- payment of taxes, it could have an adverse effect on us. New laws or regulations, the application of laws and regulations from jurisdictions, including other countries whose laws do not currently apply to our business, or the application of existing laws and regulations to the Internet and commercial online services could similarly result in significant additional taxes on our business. These taxes or tax collection obligations could have an adverse effect on us, including by way of creating additional administrative burdens on us. For instance, the Supreme Court' s decision and the enactment and enforcement of laws resulting therefrom could also impact where we are required to file state income taxes. As a result, our effective income tax rate as well as the cost and growth of our business could be materially and adversely affected, which could in turn have a material adverse effect on our financial condition and results of operations. New or revised taxes would likely increase the cost of doing business online and decrease the attractiveness of selling products over the Internet. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Furthermore, there is a possibility that we may be subject to significant fines or other payments for any past failures to comply with these requirements. We are also subject to ~~U. S.~~ federal and state laws, regulations, and administrative practices that require us to collect information from our customers, vendors, merchants, and other third parties for tax reporting purposes and report such information to various government agencies. The scope of such requirements continues to expand, requiring us to develop and implement new compliance systems. Failure to comply with such laws and regulations could result in significant penalties. We cannot predict the effect of current attempts to impose sales, income or other taxes or fees on e- commerce. Any of these events could have a material adverse effect on our business, financial condition, and results of operations. Our revolving credit facility limits our ability to, among other things: • incur or guarantee additional debt; • make certain investments and acquisitions; • pay dividends; • incur certain liens or permit them to exist; • enter into certain types of transactions with affiliates; • merge or consolidate with another company; and • transfer, sell or otherwise dispose of assets. Our revolving credit facility also contains covenants requiring us to maintain certain financial ratios. The provisions of our revolving credit facility may affect our ability to obtain future financing and to pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions. As a result, restrictions in our revolving credit facility could adversely affect our business, financial condition, and results of operations. In addition, a failure to comply with the provisions of our revolving credit facility could result in a default or an event of default that could enable our lenders to declare the outstanding principal of that debt, together with accrued and unpaid interest, to be immediately due and payable. If the payment of outstanding amounts under our revolving credit facility is accelerated, our assets may be insufficient to repay such amounts in full, and our stockholders could experience a partial or total loss of their investment. We currently intend to retain any future earnings to finance the operation and expansion of our business and we do not expect to declare or pay any dividends in the foreseeable future. Moreover, the terms of our revolving credit facility may restrict our ability to pay dividends, and any additional debt we may incur in the future may include similar restrictions. As a result, and for the foreseeable future, stockholders must rely on sales of their Class A common stock after price appreciation as the only way to realize any future gains on their investment. **Substantial future sales by** ~~Risks Related to Our Relationship with and Separation from PetSmart If~~ affiliates of **the** ~~BC~~ **BCP Stockholder** ~~Partners~~ - **Parties** ~~sell a controlling interest in our~~ - **or others** ~~company to a third party in a private transaction, you may not realize any change-~~ of ~~- control premium on shares~~ **our common stock, or the perception that such sales may occur, could depress the price** of our Class A common stock ~~and~~ **. The BCP Stockholder Parties have the ability, should they choose to do so, to sell some or all of their shares of our common stock in a privately negotiated transaction or otherwise. The sale by the BCP Stockholder Parties of a substantial number of shares of our common stock, or the perception that such sales could occur, could significantly reduce the market price of our Class A common stock. If the BCP Stockholder Parties sell their significant equity interest in the Company,** we may **in the future** become subject to the control of a presently unknown third party. ~~Substantial future sales by affiliates of BC Partners or others of our common stock, or the perception that such sales~~

~~may occur, could also depress the price of our Class A common stock. Affiliates of BC Partners that control our company have the ability, should they choose to do so, to sell some or all of their shares of our common stock in a privately negotiated transaction or otherwise, which, if sufficient in size, could result in a change of control of our company. The ability of affiliates of BC Partners to sell their shares of our common stock, with no requirement for a concurrent offer to be made to acquire all of the shares of our Class A common stock that will be publicly traded hereafter, could prevent you from realizing any change- of- control premium on your shares of our Class A common stock that may otherwise accrue to affiliates of BC Partners on their sale of our common stock. Additionally, if affiliates of BC Partners sell their significant equity interest in our company, or if secured parties foreclose on any or all of the shares of Class B common stock beneficially owned by affiliates of BC Partners pursuant to the pledges that secure certain debt, including certain of PetSmart' s credit facilities and indentures, we may become subject to the control of a presently unknown third party.~~ Such third party may have conflicts of interest with those of **our** other stockholders. **Further** ~~In addition~~ , if **the** ~~affiliates of BC~~ **BCP Stockholder** ~~Partners~~ - **Parties** sell a controlling interest in ~~our~~ **the** ~~company~~ **Company** to a third party, any outstanding indebtedness may be subject to acceleration and our commercial ~~agreements~~ - **agreement** and relationships could be impacted, all of which may adversely affect our ability to run our business ~~as described herein~~ and may have a material adverse effect on our results of operations and financial condition. ~~We~~ **In addition, we** have ~~also~~ granted certain registration rights to **the** ~~certain holders of our Class B common stock, including certain affiliates of BC~~ **BCP Stockholder** ~~Partners~~ - **Parties** , pursuant to which they have the right to demand that we register **shares of** Class A common stock beneficially owned by them under the Securities Act **of 1933, as amended (the " Securities Act "),** as well as the right to demand that we include any such shares in any registration statement that we file with the SEC, subject to certain exceptions. We are unable to predict with certainty whether or when **the BCP Stockholder Parties** ~~such holders of our Class B common stock~~ will exercise ~~its~~ **their** registration rights and / or sell a substantial number of shares of our common stock. The ~~sale by~~ **BCP Stockholder Parties and their** affiliates **may, from time to time, acquire and hold interests in businesses that are engaged in the same or similar business activities as us. Affiliates** of **the** ~~BC~~ **BCP Stockholder** ~~Partners~~ - **Parties** ~~of~~ **may also engage in transactions with us. The BCP Stockholder Parties could pursue business interests or exercise their voting power as stockholders in ways that are detrimental to us, but beneficial to other companies in which they invest or have** a **relationship** ~~substantial number of shares, or a perception that such sales could occur, could also significantly reduce the market price of our Class A common stock. Conflicts of interest may arise because some of our directors own stock or other equity interests in PetSmart and hold management or board positions~~ with ~~PetSmart. Some of our directors directly or indirectly own equity interests in PetSmart~~ . In addition, ~~some of~~ our directors **may encounter** ~~are also directors or officers of PetSmart or its parent companies. Ownership of such equity interests by our directors and the presence of directors or officers of PetSmart or its parent companies on our board of directors could create, or appear to create,~~ conflicts of interest ~~with respect to matters involving both us and any one of them, or~~ involving us and ~~PetSmart, that~~ **the other entities with which they may be affiliated. The presence or appearance of conflicts of interests** could have ~~different~~ **material** implications for ~~any of~~ **us. Additionally, our directors and** ~~these~~ -- **the** ~~investors than~~ **BCP Stockholder Parties, in the course of their other business activities, may become aware of, or involved in, investments, business opportunities, or information which may be appropriate for presentation to us as well as to other entities with which** they **are affiliated** ~~do for us~~ . Pursuant to our amended and restated certificate of incorporation, ~~none of our~~ **the BCP Stockholder Parties and** non- employee directors have ~~a~~ **no** duty, to the fullest extent permitted by law, to refrain from engaging in the same or similar business activities or lines of business in which we are now engaged in or from otherwise competing with us. ~~In addition~~ **Our amended and restated certificate of incorporation also provides that, to the fullest extent permitted by law, the BCP Stockholder Parties and our non- employee directors will not be liable to us or our stockholders for breach of any fiduciary duty solely by reason of the fact of their engagement in such activities. Moreover** , pursuant to our amended and restated certificate of incorporation, we may be unable to take advantage of corporate opportunities presented to ~~individuals who are~~ **the BCP Stockholder Parties and our non- employee** directors ~~of both us and our affiliates, including PetSmart~~ . As a result, we may be precluded from pursuing certain advantageous transactions or growth initiatives. ~~Our inability to resolve in a manner favorable to us any potential conflicts or disputes that arise between us and PetSmart or its subsidiaries with respect to our past and ongoing relationships may adversely affect our business and prospects. Potential conflicts or disputes may arise between PetSmart or its subsidiaries and us in a number of areas relating to our past or ongoing relationships, including: • tax, employee benefit, indemnification and other matters arising from our relationship with PetSmart or its subsidiaries; • business combinations involving us; • business opportunities that may be attractive to us and PetSmart or its subsidiaries; and • intellectual property or other proprietary rights. The resolution of any potential conflicts or disputes between us and PetSmart or its subsidiaries over these or other matters may be unfavorable for us. Prior to our initial public offering in June 2019, there had been no public market for our Class A common stock.~~ The market price of our Class A common stock has fluctuated significantly in response to numerous factors and may continue to fluctuate for these and other reasons, many of which are beyond our control, including: • actual or anticipated fluctuations in our revenue and results of operations; • the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections; • failure of securities analysts to maintain coverage of ~~our~~ **the** ~~company~~ **Company** , changes in financial estimates or ratings by any securities analysts who follow ~~our~~ **the** ~~company~~ **Company** or our failure to meet these estimates or the expectations of investors; • announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, results of operations or capital commitments; • changes in operating performance and stock market valuations of other retail or technology companies generally, or those in our industry in particular, including as a result of uncertainties in economic conditions, industry trends, and market conditions; • price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole; • trading volume of our Class A common stock; • the inclusion, exclusion or removal of our Class A common stock from any indices; • changes in our board of directors or management; • transactions in our Class A common stock by directors, officers, affiliates and other major investors; • lawsuits threatened or filed against us; • changes in laws or regulations applicable to our business; • changes in our capital structure, such as future issuances of debt or equity securities; • short sales, hedging and other derivative transactions involving our capital stock; • general economic conditions, industry trends, and market conditions in the U. S.; • other events or factors, including those resulting from war, incidents of terrorism or responses to these events; and • the other factors described in the sections of this report titled " Risk Factors " and " Cautionary Note Regarding Forward- Looking Statements. " The stock market has recently experienced **and may again experience** extreme price and volume fluctuations. The market prices of securities of companies have experienced fluctuations that often have been unrelated or disproportionate to their operating results. In the past, stockholders have sometimes instituted securities class action litigation against companies following periods of volatility in the market price of their securities. Any similar litigation against us could result in substantial costs, divert management' s attention and resources, and harm our business, financial condition, and results of operations. **Since** ~~In July 2017, S & P Dow Jones and FTSE Russell announced changes to their eligibility criteria for the inclusion of shares of public companies on certain indices, including the Russell 2000, the S & P 500, the S & P MidCap 400 and the S & P SmallCap 600, to exclude companies with multiple classes of shares of common stock from being added to these indices. As a result,~~ our dual class capital structure ~~would make us~~ **limits the voting power of our publicly held shares of Class A common stock, we are currently** ineligible for inclusion in ~~any of these~~ **all FTSE Russell** indices, ~~and~~ **such as the Russell 2000. As a result,** mutual funds, exchange- traded funds and other investment vehicles that attempt to passively track these indices will not be investing in our stock. Furthermore, we cannot assure you that other stock indices will not take a similar approach ~~to S & P Dow Jones or~~ FTSE Russell in the future. Exclusion from indices could make our Class A common stock less attractive to investors and, as a result, the market price of our Class A common stock could be adversely affected. Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that: • permit the board of directors to establish the number of directors and fill any vacancies and newly created directorships; • provide that a director may be removed only for cause and only by the affirmative vote of the holders of at least 66 2 / 3 % of the votes that all of our stockholders would be entitled to cast in an annual election of directors **after the date on which the outstanding shares of Class B common stock represent less than 50 % of the combined voting power of our Class A common stock and Class B common stock** ; • require **the affirmative vote of** at least 75 % of the **voting power** ~~votes that all~~ of ~~our stockholders would be entitled to cast in~~ **the Company' s outstanding shares of Class A common stock** ~~an~~ **and** ~~annual election of directors~~ **Class B common stock** in order to amend **(i) certain provisions in** our amended and restated certificate of incorporation and **(ii) our** amended and restated bylaws **, in each case,** after the date on which the outstanding shares of Class B common stock represent less than 50 % of the combined voting power of our Class A common stock and Class B common stock; • eliminate the ability of our stockholders to call special meetings of stockholders after the date on which the outstanding shares of Class B common stock represent less than 50 % of the combined voting power of our Class A common stock and Class B common stock; • prohibit stockholder action by written consent, instead requiring stockholder actions to be taken at a meeting of our stockholders, when the outstanding shares of our Class B common stock represent less than 50 % of the combined voting power of our Class A common stock and Class B common stock; • permit our board of directors, without further action by our stockholders, to fix the rights, preferences, privileges and restrictions of preferred stock, the rights of which may be greater than the rights of our Class A common stock; • restrict the forum for certain litigation against us ~~to Delaware~~ ; • establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings; and • provide for a staggered board. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. As a result, these provisions may adversely affect the market price and market for our Class A common stock if they are viewed as limiting the liquidity of our stock or as discouraging takeover attempts in the future. Our amended and restated certificate of incorporation provides that **, subject to certain exceptions,** the Court of Chancery of the State of Delaware is the exclusive forum for **: (i)** any derivative action or proceeding brought on ~~our~~ behalf **of the Company** ; **(ii)** any action asserting a breach of fiduciary duty **owed by any director, officer, or other employee or stockholder of the Company to the Company or the Company' s stockholders, creditors or other constituents** ; **(iii)** any action asserting a claim against ~~us~~ **the Company or any director or officer of the Company** arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or **(iv)** any action asserting a claim against ~~us~~ **the Company or any director or officer of the Company** that is governed by the internal affairs doctrine. ~~The choice~~ **In addition, our amended and restated certificate** of **incorporation provides that unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America will, to the fullest extent permitted by law, be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. However, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such claims. Due to the concurrent jurisdiction for federal and state courts created by Section 22 of the Securities Act over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, there is uncertainty as to whether a court would enforce this exclusive** forum provision **. These exclusive forum provision also may not apply to suits brought to enforce a duty or liability vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery of the State of Delaware, such as those created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. These exclusive forum provisions** may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits

~~against us~~ and **make** our **securities less attractive for investors** ~~directors, officers and other employees~~ . Alternatively, if a court were to find the **exclusive** ~~choice of~~ forum ~~provision~~ **provisions** contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially and adversely affect our business, financial condition, and results of operations. As of March ~~15~~ **13** , ~~2023~~ **2024** , **the** ~~affiliates of BC~~ **BCP Stockholder** ~~Partners~~ **Parties** beneficially owned more than 50 % of our outstanding shares of common stock and, together with its affiliates, exercised control over more than 95 % of the voting power of our outstanding common stock. So long as **the** ~~BC~~ **BCP Stockholder** ~~Partners~~ **Parties** ~~and / or its affiliates~~ remain our controlling stockholder they will be able to control, directly or indirectly, and subject to applicable law, all matters affecting us, including: • any determination with respect to our business direction and policies, including the appointment and removal of officers and directors; • any determinations with respect to mergers, business combinations or disposition of assets; • compensation and benefit programs and other human resources policy decisions; • the payment of dividends on our common stock; and • determinations with respect to tax matters. Because **the** ~~BC~~ **BCP Stockholder** ~~Partners~~ **Parties** ~~and its affiliates~~ ' interests may differ from ours or from those of our other stockholders, actions that **the** ~~BC~~ **BCP Stockholder** ~~Partners~~ **Parties** ~~or its affiliates~~ take with respect to us, as our controlling ~~stockholder~~ **stockholders** , may not be favorable to us or our other stockholders, including holders of our Class A common stock. In addition, even if **the** ~~BC~~ **BCP Stockholder** ~~Partners~~ **Parties** ~~and / or its affiliates~~ were to control less than a majority of the voting power of our outstanding common stock, ~~it~~ **they** may be able to influence the outcome of such matters so long as ~~it~~ **they** ~~owns~~ **own** a significant portion of our common stock. ~~In addition, certain of our stockholders which are affiliated with BC Partners have granted, and in the future may grant, a security interest in shares of our common stock beneficially owned by them, to secure certain debt, including debt of PetSmart, each of which includes customary default provisions. In the event of a default under the agreements governing such debt, the secured parties may foreclose upon any and all shares of our common stock pledged to them. Future transfers by BC Partners and their affiliates of Class B common stock, which entitles each holder thereof to ten votes per share (including transfers by secured parties that foreclose on Class B common stock), will generally result in those shares converting on a one- to- one basis to Class A common stock, which entitles each holder thereof to one vote per share.~~ As ~~a result, such transfers will have the effect, over time, of increasing the relative voting power of holders of Class B common stock who retain their shares in the long- term, which may include our directors and their affiliates. We are a " controlled company " within the meaning of the rules of NYSE and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. As~~ of March ~~15~~ **13** , ~~2023~~ **2024** , **the** ~~affiliates of BC~~ **BCP Stockholder** ~~Partners~~ **Parties** control a majority of the voting power of our outstanding common stock. As a result, we are considered a " controlled company " within the meaning of the corporate governance standards of the NYSE. Under these rules, a listed company of which more than 50 % of the voting power is held by an individual, group or another company is a " controlled company " and may elect not to comply with certain corporate governance requirements, including: • the requirement that a majority of the board of directors consist of independent directors; • the requirement that our nominating and corporate governance committee be composed entirely of independent directors ~~with a written charter addressing the committee' s purpose and responsibilities~~ ; • the requirement that our compensation committee be composed entirely of independent directors ~~with a written charter addressing the committee' s purpose and responsibilities~~ ; and • the requirement for an annual performance evaluation of our corporate governance and compensation committees. While **the** ~~affiliates of BC~~ **BCP Stockholder** ~~Partners~~ **Parties** control a majority of the voting power of our outstanding common stock, we intend to rely on these exemptions and, as a result, will not have a majority of independent directors on our board of directors ~~. Our~~ **, and our** nominating and corporate governance and compensation committees will also not consist entirely of independent directors. Accordingly, holders of our Class A common stock do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE. Lawsuits and other administrative or legal proceedings that may arise in the course of our operations can involve substantial costs, including the costs associated with investigation, litigation and possible settlement, judgment, penalty or fine. In addition, lawsuits and other legal proceedings may be time consuming and may require a commitment of management and personnel resources that will be diverted from our normal business operations. Although we generally maintain insurance to mitigate certain costs, there can be no assurance that costs associated with lawsuits or other legal proceedings will not exceed the limits of insurance policies. Moreover, we may be unable to continue to maintain our existing insurance at a reasonable cost, if at all, or to secure additional coverage, which may result in costs associated with lawsuits and other legal proceedings being uninsured. Our business, financial condition, and results of operations could be adversely affected if a judgment, penalty or fine is not fully covered by insurance. In the future, we could be required to raise capital through public or private financing or other arrangements. Such financing may not be acceptable or available due to factors beyond our control, such as rising interest rates, uncertainty in financial markets, or economic instability, and our failure to raise capital when needed could harm our business. We may sell Class A common stock, convertible securities and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, investors in our Class A common stock may be materially diluted. New investors in such subsequent transactions could gain rights, preferences and privileges senior to those of holders of our Class A common stock. Debt financing, if available, may involve restrictive covenants and could reduce our operational flexibility or profitability. If we cannot raise funds on acceptable terms, we may be forced to raise funds on undesirable terms, or our business may contract or we may be unable to grow our business or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition, and results of operations. We are subject to ~~U. S.~~ federal, U. S. state income taxes **, Canadian federal** and **provincial income tax,** Chinese income taxes **, and may be subject to additional income tax depending on our operations** . Tax laws, regulations and administrative practices in various jurisdictions may be subject to significant change, with or without advance notice, due to economic, political and other conditions, and significant judgment is required in evaluating and estimating our provision and accruals for these taxes. Such changes may have a material impact on us. **On** ~~Most recently, on~~ August 16, 2022, legislation commonly known as the Inflation Reduction Act (the " IRA ") was signed into law. Among other things, the IRA includes a 1 % excise tax on corporate stock repurchases, applicable to repurchases after December 31, 2022, and also a new minimum tax based on book income. Any change in current federal, state, local or non- U. S. tax law, facts or any significant variance of our current interpretation of current legislation or future legislation from any future regulations or interpretive guidance could result in a change to the presentation of our financial condition and results of operations and could materially and adversely affect our business, financial condition, and results of operations. **We entered into certain transactions (the " Transactions ") with affiliates of BC Partners pursuant to an Agreement and Plan of Merger (the " Merger Agreement "), which closed on October 30, 2023. The Transactions were entered into for valid business purposes and it is anticipated that the Transactions will not have a material impact on our financial condition. As a part of the Merger Agreement, we assumed certain filing responsibilities and tax obligations from the Transactions. We have been paid for the cost of the assumed filings and all taxes payable on those filings. We are also indemnified for any future tax exposure up to $ 196 million. Any tax exposure in excess of $ 196 million would be our responsibility.** There are many transactions that occur during the ordinary course of business for which the ultimate tax determination is uncertain. Our effective tax rates could be affected by numerous factors, such as changes in tax, accounting and other laws, regulations, administrative practices, principles and interpretations, the mix and level of earnings in a given taxing jurisdiction or our ownership or capital structures. **We are** ~~Until our initial public offering in June 2019, we were not~~ subject to the internal control and financial reporting requirements that are required of a publicly- traded company ~~. Beginning with the fiscal year ended January 31~~ , **including** ~~2021, we are required to comply with~~ the requirements of The Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act "). The Sarbanes- Oxley Act requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation, document our controls and perform testing of our key controls over financial reporting to allow management and our independent public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes- Oxley Act. Our testing, or the subsequent testing by our independent public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock would likely decline and we could be subject to lawsuits, sanctions or investigations by regulatory authorities, which would require additional financial and management resources. As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes- Oxley Act and any rules promulgated thereunder, as well as the rules of NYSE. The requirements of these rules and regulations increase our legal and financial compliance costs, make some activities more difficult, time- consuming or costly and increase demand on our systems and resources. The Sarbanes- Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight are required, and, as a result, management' s attention may be diverted from other business concerns. These rules and regulations can also make it more difficult for us to attract and retain qualified independent members of our board of directors and make it more difficult and more expensive for us to obtain director and officer liability insurance. We may be required to accept reduced coverage or incur higher costs to obtain coverage. The increased costs of compliance with public company reporting requirements and our potential failure to satisfy these requirements can have a material adverse effect on our operations, business, financial condition or results of operations.