

Risk Factors Comparison 2025-03-18 to 2024-03-19 Form: 10-K

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Our past performance may not be a reliable indicator of future performance because actual future results and trends may differ materially depending on a variety of factors, including but not limited to the risks and uncertainties discussed below and in “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations ” in Part II, Item 7 of this Form 10- K and “ Quantitative and Qualitative Disclosures About Market Risk ” in Part II, Item 7A of this Form 10- K. In addition, historical trends should not be used to anticipate results or trends in future periods. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition, and results of operations. In such case, the market price of our common stock could decline. Risks Related to Macroeconomic Conditions Global economic conditions have and could continue to adversely affect our business, financial condition, and results of operations. Our business is affected by global economic conditions and the related impact on consumer spending worldwide. Global economic conditions have **impacted** and could continue to impact our business ~~and other businesses around the world~~. Some of the factors that may influence consumer spending patterns include higher unemployment levels ; pandemics **and (such as the other health crises; COVID-19 pandemic, or the resurgence of the pandemic or the emergence of new strains or variants)**; extreme weather conditions and natural disasters ; higher consumer debt levels ; inflationary pressures ; recession or fear of recession ; global geopolitical instability (including **in Europe the ongoing Russia-Ukraine and the Middle East Israel-Hamas conflicts**) ; reductions in net worth based on market declines and uncertainty ; home foreclosures and reductions in home values ; fluctuating interest and foreign currency **exchange** rates and credit availability ; government austerity measures ; **changes and uncertainties related to government fiscal , monetary, and tax policies including changes in interest rates, tax rates, duties, tariffs, and other restrictions**; fluctuating fuel and other energy costs ; fluctuating commodity prices ; **and reduced consumer confidence** and general uncertainty regarding the overall future economic environment. Historically, consumer purchases of discretionary items, including our merchandise, generally decline during recessionary periods when disposable income is lower or during other periods of economic instability or uncertainty. Deteriorating economic conditions or geopolitical instability in any of the regions in which we and our franchisees sell our products could reduce consumer confidence and ~~adversely~~ **negatively** impact consumer spending patterns, and thereby could adversely affect our sales and results of operations , ~~and result in changes to the assumptions and estimates used when preparing our Consolidated Financial Statements. Examples include, but are not limited to, assumptions and estimates used for inventory valuation, income taxes and valuation allowances, sales return and bad debt allowances, deferred revenue, and the impairment of long-lived assets.~~ In challenging and uncertain economic environments, we cannot predict whether or when such circumstances may improve or worsen, or what impact, if any, such circumstances could have on our business, financial condition, and results of operations, or on the price of our common stock. Risks Related to Competition, Brand Relevance, and Brand Execution Our business is highly competitive. The global apparel retail industry is highly competitive. We and our franchisees compete with local, national, and global department stores, mass- market retailers, specialty and discount store chains, independent retail stores, and ~~online-digital~~ **online-digital** businesses that market similar lines of merchandise . **The apparel retail industry is characterized by low barriers to entry which allow for the introduction of new competitors and products at a rapid pace**. We face a variety of competitive challenges in an increasingly complex and fast- paced environment, including: • anticipating and quickly responding to changing apparel trends and customer demands; • attracting customer traffic both in stores and ~~online on our e-commerce platform~~ ; • competitively pricing our products and achieving customer perception of value; • maintaining favorable brand recognition , **establishing relationships with athletes, performers, influencers, and other celebrities to promote our brands and products**, and effectively marketing our products to customers in diverse market segments and geographic locations; • anticipating and responding to changing customer shopping preferences and practices, including the increasing shift to digital brand engagement, social media communication, and ~~online-digital~~ **online-digital** shopping; • developing innovative, high- quality products in sizes, colors, and styles that appeal to customers of varying demographics and tastes; • purchasing and stocking merchandise to match seasonal weather patterns, and our ability to react to shifts in weather that impact consumer demand; • sourcing and allocating merchandise efficiently; • **successfully managing our order- taking and fulfillment operations in our distribution centers and on our e-commerce platform**; • **adapting to changes in technology, including the successful utilization of data science and artificial intelligence**; and • improving the effectiveness and efficiency of our processes in order to deliver cost savings to fund growth. If we or our franchisees are not able to respond effectively to competitive pressures, changes in retail markets, or customer expectations in the United States or internationally, our results of operations would be adversely affected. We must successfully gauge apparel trends and changing consumer preferences to succeed. Our success is largely dependent upon our ability to gauge **and anticipate** the tastes of our customers and to provide merchandise that satisfies customer demand in a timely manner. However, lead times for many of our design and purchasing decisions may make it more difficult for us to respond rapidly to new or changing apparel trends or consumer acceptance of our products. **In addition, Transportation transportation** shortages, factory closures, labor shortages, port congestion, and other supply chain disruptions have in the past and may in the future lead to prolonged delays in receiving inventory. The global apparel retail business fluctuates according to changes in consumer preferences, dictated in part by apparel trends and season. To the extent we misjudge the market for our merchandise or the products suitable for local markets, or fail to execute trends and deliver products to the market as timely as our competitors, our sales will be adversely affected, and the markdowns required to move the resulting excess inventory will adversely affect our **gross** margins and results of operations.

We must maintain our reputation and brand image. Our brands have wide recognition, and the success of our business depends in large part on our ability **, and the ability of our franchisees and licensees,** to maintain, enhance, **, and** protect our brand image and reputation and our customers' connection to our brands. We must also adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. Even if we **, or our franchisees or licensees,** react appropriately to negative posts or comments about us or our brands on social media and online, our customers' perception of our brand image and our reputation could be negatively impacted. Customer sentiment could also be shaped by our partnerships with ~~artists, athletes,~~ **, performers, influencers,** and other ~~celebrities public figures,~~ **celebrities**, as well as our sustainability policies and related sourcing and operations decisions. **Our, or our franchisees' or licensees', Failure failure** to maintain, enhance, **, and** protect our brand image could adversely affect our business and results of operations. **We must successfully implement our marketing efforts. Customer transactions and demand for our merchandise are influenced by our marketing efforts. We use various marketing channels to drive customer awareness and consideration of and interest in shopping our brands with the aim of increasing sales, and we are increasingly using digital advertising to drive sales and traffic to our e-commerce platform. Some of our competitors may spend more for their marketing programs than we do, or use different approaches than we do, which may provide them with a competitive advantage. In addition, we may not be able to effectively develop or implement digital advertising strategies for rapidly evolving social media and other digital channels. Partnerships with athletes, performers, influencers, and other celebrities may expose us to reputational or other risks. We have experienced fluctuations in our customers' response to our marketing efforts. If we fail to successfully implement our marketing efforts, if our marketing efforts are not successful in driving expected increases in sales, or if our competitors' marketing programs are more effective than ours, our sales and results of operations could be adversely affected.**

Risks Related to Our Business Operations If we are unable to manage our inventory and fulfillment operations effectively, our results of operations could be adversely affected. Fluctuations in the global apparel retail markets impact the levels of inventory maintained by apparel retailers. The nature of the global apparel retail business requires us to carry a significant amount of inventory, especially prior to the peak holiday selling season when we build up our inventory levels. Merchandise usually must be ordered well in advance of the applicable selling season and frequently before apparel trends are confirmed by customer purchases. Transportation shortages, factory closures, labor shortages, port congestion, **, and** other supply chain disruptions **have in the past and** may **in the future** lead to prolonged delays in receiving inventory. As a result, we are vulnerable to demand and pricing shifts and to suboptimal selection and timing of merchandise purchases. We have not always predicted our customers' preferences and acceptance levels of our trend items with accuracy. If sales do not meet expectations ~~, including due to the impact of current macroeconomic conditions on consumer demand,~~ too much inventory may cause excessive markdowns and, therefore, lower- than- planned ~~gross-~~ margins. We could also be required to take significant impairment charges on delayed or unproductive inventory, which we experienced in 2022. Conversely, if we underestimate or are unable to satisfy consumer demand for our products, we may experience inventory shortages, which could result in lower than anticipated sales, delayed shipments to customers, **, and** negative impacts on consumer relationships and brand loyalty. Any of these risks could adversely affect our results of operations. We ~~have~~ **are continuing to invest in** strategic initiatives designed to optimize our inventory levels and increase the efficiency and responsiveness of our supply chain, including vendor fabric platforming, product testing, and in- season response to demand. We are also developing additional capabilities to analyze customer behavior and demand, which we believe will allow us to better localize assortment and improve store- level allocations to further tailor our assortments to customer needs and increase sell- through. These capabilities involve changes to our inventory management systems and processes. If we are unable to implement these initiatives and integrate these additional capabilities successfully, we may not realize the return on our investments that we anticipate, and our results of operations could be adversely affected. **We must also maintain efficient and uninterrupted fulfillment operations to timely and effectively deliver merchandise to our stores and e-commerce customers. In particular, our e-commerce business depends on our ability to maintain efficient and uninterrupted order- taking and fulfillment operations in our distribution centers and on our e-commerce platform. Industries that are seasonal, like ours, face a higher risk of harm from operational disruptions during peak sales seasons. Any disruption to our order- taking and fulfillment operations could adversely affect our sales and results of operations.**

Failure to protect our inventory from loss and theft may adversely affect our results of operations. Risk of loss or theft of assets, including inventory shortage, is inherent in the retail business. Loss may be caused by error or misconduct of employees, customers, vendors, **, or** other third parties including through organized retail crime and professional theft, which may be further impacted by macroeconomic factors, including the enforcement environment. **In addition, retail theft may impact guest perceptions regarding the safety of our stores.** Our inability to effectively prevent or minimize the loss or theft of assets, or to ~~effectively reduce, or to accurately predict and accrue~~ for the impact of those losses, could adversely affect our results of operations. **Trade matters may disrupt our supply chain.** Our ~~failure to manage key executive succession and retention and to continue to attract qualified personnel could adversely affect our results of operations~~ **are subject to complex trade and customs laws, regulations, and tax requirements.** The loss of one ~~countries in which or our more of products are manufactured our- or imported,~~ key personnel or the inability to effectively identify a suitable successor to a key role could adversely affect our- ~~or may be manufactured~~ business. We made significant changes to our- ~~or imported~~ executive leadership team in recent years, including hiring a new President and Chief Executive Officer in 2023. The failure to successfully transition and assimilate key employees, including our new CEO, the effectiveness of our leaders, and any further transitions could adversely affect our results of operations. Our business and future success depends in part on our ability to attract and retain key personnel in our design, merchandising, sourcing, marketing, and other functions. In addition, executing strategic initiatives may require us to hire and develop employees with appropriate and specialized experience. We must also attract, develop, and retain a sufficient number of qualified field and distribution center personnel. Competition for talent is intense and the turnover rate in the retail industry is generally high. Furthermore, we have

experienced a shortage of labor for field and distribution center positions, and we cannot be sure that we will be able to attract and retain a sufficient number of qualified personnel for these and other positions in future periods. Our ability to meet our labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates and competitive wage pressures, minimum wage legislation, and overtime and paid leave regulations. In addition, there has been an increase in workers exercising their right to form or join a union, both generally and in the retail industry, and the U. S. National Labor Relations Board (NLRB) has issued decisions making it easier for employees to organize. Although none of our U. S. and Canadian employees are currently covered by collective bargaining agreements, we have experienced union organizing activity from time to time **impose duties , and tariffs, or there other** can be no assurance **restrictions on our imports or adversely change existing restrictions. For example, the United States has imposed substantial tariffs and bans on goods imported from China (including the Uyghur Forced Labor Prevention Act) and has imposed or proposed imposing substantial tariffs on goods imported from Mexico, Canada, the European Union, and from other countries that impose tariffs on U. S. products. In fiscal 2024, less than 10 percent of our merchandise, employees will not elect to be represented by labor unions dollar value, was purchased from factories in China, and less than 1 percent of our merchandise, by dollar value, was purchased from factories in Mexico and Canada combined. The current political landscape, including with respect to the United States' foreign policy priorities and relations with trading partners, has introduced greater uncertainty with respect to future tax . If a significant portion of our work force were to become unionized, our culture and trade policy operating model could change and our labor costs could increase. We Our responses to any union organizing efforts could also impact how our Company and brands are perceived by customers and employees. Traditional geographic competition for talent has changed as a result of the shift to remote work. If our employment proposition is not perceived as favorable compared to other companies, including due to our requirements or expectations about when or how often certain employees work on-site or remotely, it could negatively impact our ability to attract and retain our employees. If we are unable to determine retain, attract, and motivate talented employees with the impact that appropriate skill sets, or if changes to our organizational structure in tax and trade policy could have on or our global sourcing operations business model adversely affect morale or retention, but it we may not achieve our objectives and our business could be material. Our sourcing operations could also** be adversely affected by geopolitical and financial instability in our sourcing countries, as well as U.S. or foreign labor strikes, work stoppages, or boycotts, resulting in the disruption of trade from our sourcing countries, significant fluctuations in the value of the U.S. dollar against foreign currencies, restrictions on the transfer of funds, or other trade disruptions. Changes in tax and trade policy, such as the imposition of new duties or tariffs on imported products, or disruptions to our sourcing operations in our sourcing countries, could increase the cost or reduce the supply of apparel available to us and adversely affect our business and results of operations . Our business is subject to risks associated with global sourcing and manufacturing. Independent third parties manufacture all of our products for us. As a result, we are directly impacted by increases in the cost of those products. If we experience significant increases in demand or need to replace an existing vendor, there can be no assurance that additional manufacturing capacity will be available when required on terms that are acceptable to us or that any vendor would allocate sufficient capacity to us to meet our requirements. In addition, for any new manufacturing source, we may encounter delays in production and added costs as a result of the time it takes to train our vendors in our methods and products, as well as our quality control, environmental, labor, health, and safety standards. Moreover, in the event of a significant disruption in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, our vendors might not be able to locate alternative suppliers of materials of comparable quality **or** at an acceptable price. Any delays, interruptions, or increased costs in the manufacture of our products could impact our ability to source product and result in lower than anticipated sales. A large portion of our global sourcing comes from a few specific countries. For example, in fiscal ~~2023~~ **2024** , approximately ~~29~~ **27** percent and ~~18~~ **approximately 19** percent of our merchandise, by dollar value, was purchased from factories in Vietnam and Indonesia, respectively. Delays in production and added costs in these countries have in the past and may in the future adversely affect our results of operations. Because independent vendors manufacture **virtually almost** all of our products outside of our principal sales markets, third parties must transport our products over large geographic distances. Increases in transportation costs or delays in the shipment or delivery of our products due to the availability of transportation, work stoppages, port strikes, port and infrastructure congestion, public health crises, social unrest, changes in local economic conditions, **political geopolitical upheavals instability** , or other factors, and costs and delays associated with transitioning between vendors, could adversely affect our results of operations. **For example, global trade flows were recently impacted by Attacks attacks on cargo ships in the Red Sea, catalyzed by the Israel-Hamas conflict, have disrupted Red Sea shipping lanes and port strikes in the United States may continue to disrupt global trade flows and impact shipping capacity.** Operating or manufacturing delays, transportation delays, or unexpected demand for our products may require us to use faster, but more expensive, transportation methods such as air freight, which have in the past and may in the future adversely affect our gross margins. In addition, the cost of fuel is a significant component of transportation costs, so increases in the price of petroleum products (including due to inflationary pressures, geopolitical instability, or regulation of energy inputs and greenhouse gas emissions) could adversely affect our gross margins. If our vendors, or any raw material suppliers on which our vendors rely, suffer prolonged manufacturing or transportation disruptions due to pandemics and public health crises, extreme weather conditions and natural disasters, geopolitical instability, or other unforeseen events, our ability to source product could be adversely impacted which would adversely affect our sales and results of operations. Risks associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct, could harm our business. We purchase merchandise from third-party vendors in many different countries, and we require those vendors to adhere to a Code of Vendor Conduct, which includes anti-corruption, environmental, labor, health, and safety standards. From time to time, our vendors and their suppliers may not be in compliance with these standards or applicable local laws. Significant or continuing noncompliance with such standards and laws by one or more **of our** vendors, suppliers or other third parties could subject us to liability, and could

adversely affect our reputation, business, and results of operations. **Trade matters** Our failure to manage key executive succession and retention and to continue to attract qualified personnel could adversely affect our results of operations. The loss of one or more of our key personnel or the inability to effectively identify a suitable successor to a key role could adversely affect our business. We made significant changes to our executive leadership team in recent years and are currently searching for a new brand president for Banana Republic. The failure to successfully transition and assimilate key employees, the effectiveness of our leaders, and any further transitions could adversely affect our results of operations. Our business and future success depends in part on our ability to attract and retain key personnel in our design, merchandising, sourcing, marketing, and other functions. In addition, executing strategic initiatives may disrupt our supply chain require us to hire and develop employees with appropriate and specialized experience. We must also attract, develop, and retain a sufficient number of qualified field and distribution center personnel. Competition for talent is intense and the turnover rate in the retail industry is generally high. Furthermore, we have experienced a shortage of labor for field and distribution center positions, and we cannot be sure that we will be able to attract and retain a sufficient number of qualified personnel for these and other positions in future periods. Our operations ability to meet our labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates and competitive wage pressures, minimum wage legislation, and overtime and paid leave regulations. Failing to offer competitive wages or benefits, or to manage our workforce effectively, could adversely affect our ability to attract or retain appropriate talent sufficient to meet the needs of our business. Moreover, shifts in U. S. immigration policy could negatively impact our ability to attract, hire, and retain skilled employees who are subject to complex trade from outside the United States. In addition, there has been and an increase customs laws, regulations and tax requirements. The countries in which workers exercising their right to form our or products join a union, both generally and in the retail industry, and the U. S. National Labor Relations Board (NLRB) has issued decisions making it easier for employees to organize. Although none of our U. S. and Canadian employees are manufactured or imported currently covered by collective bargaining agreements, we have experienced union organizing activity or may be manufactured or imported in the future, may from time to time impose duties, tariffs, and there can be no assurance that or our employees will not elect to be represented by labor unions in the future. If a significant portion of our work force were to become unionized, our culture and operating model could change and our labor costs could increase. Our responses to any union organizing efforts could also impact how our Company and brands are perceived by customers and employees. Traditional geographic competition for talent has changed as a result of the shift to remote work. If our employment proposition is not perceived as favorable compared to other restrictions companies, including due to our requirements or expectations about when or how often certain employees work on our imports or adversely change existing restrictions. For example, the United States has imposed tariffs and bans on goods imported from China (such as the Uyghur Forced Labor Prevention Act). The current political landscape, including with respect to United States- China relations site or remotely, has introduced greater uncertainty with respect it could negatively impact our ability to attract future tax and trade policy retain talent. We If we are unable to retain, attract, determine the impact that changes in tax and trade policy could have on motivate talented employees with the appropriate skill sets, we may not achieve our objectives and our business global sourcing operations. Our sourcing operations could also be adversely affected by geopolitical and financial instability in our..... affect our business and results of operations. The global market for real estate is competitive. Our ability to effectively obtain real estate to open new stores, distribution centers, and corporate offices nationally and internationally depends on the availability of real estate that meets our criteria for traffic, square footage, co- tenancies, lease economics, demographics, and other factors. We also must be able to effectively renew our existing store leases. In addition, we may seek to downsize, consolidate, reposition, relocate, or close some of our real estate locations, which in most cases requires a modification or termination of an existing store lease. For example Beginning in fiscal 2020 through the end of fiscal 2023, we closed recently completed our initiative to rationalize the Gap and Banana Republic store fleet by closing, net of openings, 344 Gap and Banana Republic stores in North America from the beginning of fiscal 2020 to the end of fiscal 2023. Failure to secure adequate new locations, successfully modify or exit existing locations, or effectively manage the profitability of our existing fleet of stores, could adversely affect our results of operations. Additionally, the economic environment may at times make it difficult to determine the fair market rent of real estate properties within the United States and internationally. This could impact the quality of our decisions to enter into leases, exercise lease options or renew expiring leases at negotiated rents. Any adverse effect on the quality of these decisions could impact our ability to retain real estate locations adequate to meet our targets or efficiently manage the profitability of our existing fleet of stores, and could adversely affect our financial condition or results of operations. Risks Related to Strategic Transactions and Investments Our franchise and licensing businesses are subject to certain risks not directly within our control that could impair the value of our brands. We have entered into franchise agreements to operate stores and websites in may many continue to engage in countries around the world. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under or our seek brand names. We have also entered into licensing agreements to engage sell products using our brand names. The effect of these arrangements on our business and results of operations is uncertain and will depend upon various factors, including the demand for our products in strategic transactions international markets, the demand for new product categories and our ability to successfully identify appropriate third parties to act as franchisees, licensees, distributors, or in a similar capacity. In addition, certain aspects of these arrangements are not directly within our control, such as franchisee acquisitions, partnerships, divestitures and licensee financial stability and the ability of these third parties to meet other their dispositions projections regarding store locations, store openings, that are subject to various risks and uncertainties and which could disrupt sales. Additionally, certain of or our franchisees adversely affect our business. We have in the past and may continue to engage in or seek to engage in strategic transactions, such as acquisitions, partnerships, divestitures or other--

the future dispositions. In recent years, we transferred our European, Mexico and China businesses to a partnership model, and are awaiting regulatory approvals to transfer our Taiwan business. We also divested our Janie and Jack and Intermix brands and acquired two technology companies. We may not be able **unable** to complete strategic transactions on anticipated terms or time frames or at all, and such transactions may not generate some or all of the expected strategic, financial, operational or other benefits if and when completed on such anticipated time frames or at all. In addition, these transactions may be complex in nature, and unanticipated developments or changes, including changes in law, the macroeconomic environment, market -- **make payments** conditions, the retail industry or political conditions may affect our ability to **landlords** complete such transactions. In addition, **distributors** the process of completing these transactions may be time-consuming and **suppliers** involve considerable costs and expenses, which may be significantly higher than what we anticipate and may not yield a benefit if the transactions are not completed successfully. Executing these transactions may require significant time and attention from our senior management and employees, which could disrupt our ongoing business and adversely affect our results of operations. We may also experience increased difficulties in attracting, retaining and motivating employees and / or attracting and retaining customers during the pendency or following the completion of any of these transactions, which could harm our business. Changes in our business strategy or restructuring our operations may not generate the intended benefits or projected cost savings we anticipate. We have and may continue to adjust our business strategies or restructure our operations to meet changes in our business environment. In 2022, we began taking steps to drive long-term improvements across our business, which included reducing open and existing corporate roles, renegotiating our advertising agency contracts, reducing technology operating costs, and rationalizing digital investments. In March 2023, we shared plans to further simplify and optimize our operating model and structure, including actions such as increasing spans of control and decreasing management layers to improve quality and speed of decision making, as well as **creating as** payments to service any debt they may have outstanding, including to us. We have also provided loan guarantees to various lenders on behalf of certain franchisees, and have guaranteed or are contingently liable for certain franchisees' leases. These arrangements could have an adverse effect on our liquidity and results of operations. Other risks that may affect **these third parties** **our franchisees and licensees** include general economic conditions in specific countries or markets, foreign exchange rates, changes in diplomatic and trade relationships, restrictions on the transfer of funds, and geopolitical instability. The value of our brands could be impaired to the extent that **these third parties** **our franchisees and licensees** do not operate their stores or websites or sell our branded products in a **manner** consistent **organizational structure** across **with our requirements regarding our brand identities and customer experience standards. Failure to protect the value of** our brands - In connection with those actions, in April 2023, we announced **or any other harmful acts or omissions by a franchisee** restructuring plan that included a reduction of the Company's workforce primarily in headquarters locations. As of the first half of fiscal 2023, the reduction of the Company's workforce under the restructuring plan was substantially completed. Our ability to achieve the intended benefits and projected cost savings from these actions are subject to many estimates and assumptions. For **or example licensee**, savings associated with these actions could be lower than anticipated. These actions are also **adversely affect** subject to execution risk and may not generate the intended benefits and projected cost savings to the extent **or our results of operations** on the timeline as expected, and our **reputation** new organizational structure and strategies could be less successful than our previous organizational structure and strategies. Our efforts to expand internationally may not be successful. Our current business strategies include pursuing selective international expansion in a number of countries around the world through **several a number of** channels. This includes our franchisees opening additional stores internationally. We have limited experience operating or franchising in some of these locations. In many of these locations, we face major established competitors. In addition, in many of these locations, **the** real estate, employment and labor, transportation and logistics, and other operating requirements differ dramatically from those in the places where we have more experience. Consumer tastes and trends may differ in these locations and, as a result, the sales of our products may not be successful, **or we may not achieve the result results** in the margins we anticipate. If our international expansion plans are unsuccessful or do not deliver an appropriate return on our investments, our results of operations could be adversely affected. Our **investments** franchise and licensing businesses are subject to certain risks not directly within our control that could impair the value of our brands. We have entered into franchise agreements to operate stores and websites in **many countries around the world. Under.....** our requirements regarding our brand identities and customer experience standards. Failure to protect the value of our brands, **or any other harmful acts or omissions by a franchisee or licensee, could also adversely affect our results of operations and our reputation. Our investments in customer-, digital, and omni- channel shopping-, and other strategic** initiatives may not deliver the results we anticipate. One of our strategic priorities is to further develop an omni-channel shopping experience for our customers through the integration of our store and digital shopping channels. Our omni-channel initiatives include cross-channel logistics optimization and exploring additional ways to develop an omni-channel shopping experience, including further digital integration and customer personalization. These initiatives **may** involve significant investments in information technology ("IT") systems, data science and artificial intelligence initiatives, and significant operational changes. Our competitors are also investing in omni-channel initiatives, some of which may be more successful than our initiatives. If the implementation of our customer, digital, and omni-channel initiatives is not successful, or we do not realize the return on our investments in these initiatives that we anticipate, our results of operations would be adversely affected. **We have made and will continue to make investments in other strategic initiatives across our business. These initiatives involve, among others, significant investments in product design and development; marketing and media; store operations; supply chain and inventory management; and technology including automation, data analytics, and artificial intelligence. In addition, we have and may continue to pursue initiatives to simplify and increase efficiencies across our business. These initiatives are subject to many estimates and assumptions, and we cannot guarantee that we will realize any or all of the intended returns, benefits, efficiencies, or cost savings from these initiatives to the extent or on the timelines expected. Our strategic initiatives also include accelerating growth in certain high-potential product**

categories, including activewear. We compete with other retailers in these categories, some of which may be larger than us and more established in these categories, and competition is intense, as described above. There can be no assurance that our expansion in these categories will be successful. We have and may continue to engage in or seek to engage in strategic transactions, such as acquisitions, partnerships, divestitures, and other dispositions, that are subject to various risks and uncertainties and which could disrupt or adversely affect our business. We have and may continue to engage in or seek to engage in strategic transactions, such as acquisitions, partnerships, divestitures, or other dispositions. In recent years, we transferred our Europe, Mexico, and China businesses to a partnership model, and are awaiting regulatory approvals to transfer our Taiwan business. We may not be able to complete strategic transactions on anticipated terms or time frames or at all, and such transactions may not generate any or all of the expected strategic, financial, operational, or other benefits if and when completed on anticipated time frames or at all. In addition, these transactions may be complex, and unanticipated developments or changes, including changes in law, the macroeconomic environment, market conditions, the retail industry, or political conditions may affect our ability to complete such transactions. In addition, the process of completing these transactions may be time-consuming and involve considerable costs and expenses, which may be significantly higher than anticipated and may not yield a benefit if the transactions are not completed successfully. Executing these transactions may require significant time and attention from our senior management and employees, which could disrupt our ongoing business and adversely affect our results of operations. We may also experience increased difficulties in attracting, retaining, and motivating employees and / or attracting and retaining customers during the pendency or following the completion of any of these transactions, which could harm our business.

Risks Related to Data Privacy, Information Security, and Cybersecurity Technology We are subject to data and security risks, which could adversely affect our operations and consumer confidence in our security measures or result in liability. As part of our normal operations, we receive and maintain confidential, proprietary, and personally identifiable information, including credit card information, and information about our customers, our employees, job applicants, and other third parties. The secure operation of our networks and systems, and those of our business partners, suppliers, and third-party service providers, including those on which this type of information is stored, processed, and maintained is critical to our business operations. These networks and systems are subject to an increasing threat of continually evolving data and security risks, which we must manage. Security breaches and vulnerabilities impacting our systems and those of our business partners and third-party service providers could cause harm to our systems or compromise data stored on our networks or those of our business partners and third-party service providers, and could expose us to remedial, legal, and other costs which could be material. The retail industry, in particular, has been the target of recent cyberattacks. Our efforts to take appropriate measures to safeguard our information security and privacy environment from security breaches and vulnerabilities, and to train our employees to identify security threats as part of our security efforts, vary in maturity across our business. The constantly changing nature of the cyber threats landscape means that we are not able to anticipate or prevent all types of cyberattacks, and our logging processes may not be sufficient to fully investigate a cyberattack. Additionally, as cybercriminals become more sophisticated, the cost of proactive defensive measures continues to increase. Like our peers, we have been targeted by cyberattacks, which in some cases have been successful. Actual or anticipated cyberattacks and vulnerabilities may disrupt or impair our operations, and may cause us to incur costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in technological capabilities, new technological discoveries, or other developments may result in the technology used by us to protect transactions and other data being more easily breached or compromised. Measures we implement to protect against cyberattacks and address vulnerabilities may also have the potential to impact our customers' shopping experience or decrease activity on our **websites e-commerce platform** by making ~~them~~ **it** more difficult to use. Data and security breaches 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 that result in the unauthorized release of personal or confidential information. The global regulatory environment surrounding data privacy and cybersecurity is increasingly demanding, and we are required to comply with new and constantly evolving laws, such as various state-level privacy laws in the United States and international laws such as the General Data Protection Regulation in the European Union and United Kingdom, which give consumers the right to control how their personal information is collected, used, shared, and retained. Our failure to comply with these and other data privacy laws or to secure personal or confidential information could result in significant legal and financial exposure, and a loss of consumer confidence in our security measures, which could adversely affect our results of operations and our reputation. Failures of, or updates or changes to, our ~~IT~~ **information technology** systems may disrupt operations. We maintain a complex technology platform consisting of both legacy and modern systems. ~~We, and we~~ also increasingly rely on third-party service providers for public cloud infrastructure that powers our e-commerce platform and other systems. Our owned and operated systems require continual maintenance, upgrades, and changes, some of which are significant. Upgrades may involve replacing existing systems with successor systems, making changes to existing systems, or ~~cost-effectively~~ **acquiring new systems with new functionality.** We are ~~aware of~~ **also undertaking significant upgrades to our digital and information technology systems to, among the other things, advance our data analytics capabilities; enhance our in-store and e-commerce experiences; improve our product design and development, and supply chain and inventory management capabilities; enable us to more effectively personalize our marketing; enhance the security of and reduce risks associated with our technology systems; streamline our information technology operations; and enable us to work more efficiently.** Many of these efforts depend on the continued integration of data science and artificial intelligence within our information technology systems. We have limited back-up systems and redundancies, and our technology systems and e-commerce platform have experienced system failures in the past which have disrupted our business. There are inherent risks associated with maintaining and replacing these systems, including accurately capturing data and addressing system disruptions. We may not

successfully maintain or launch these systems as planned or implement them without disruptions to our operations. If **Information technology** system disruptions or failures, if not anticipated and appropriately mitigated, or failure to successfully implement new or upgraded systems, could disrupt our operations and adversely affect our results of operations. As we continue to move to their platforms, our reliance on third- party systems means that any downtime or security issues they experience poses a greater risk of a single point of failure. Any failure by our third- party service providers could disrupt our operations and adversely affect our results of operations. **Our technology systems that support our e- commerce platform may not be effective or function properly. Many of our customers shop with us through our e- commerce platform, including on our websites and mobile app. Increasingly, customers are using smart devices to shop with us and with our competitors and to compare our products with those of our competitors. We are also increasingly using social media and our mobile app to interact with customers and enhance their shopping experience. We must provide an attractive, effective, reliable, and user- friendly e- commerce platform that offers a wide assortment of merchandise with rapid delivery options and that continually meets the changing expectations of digital shoppers. Our failure to do so, or any failure of our e- commerce platform due to disruptions in telephone or network services, power outages, inadequate system capacity, system hardware or software issues, computer viruses, security breaches, human error, or disruptions due to updates or changes to our information technology systems, could place us at a competitive disadvantage, result in lost e- commerce sales, or harm our brands' reputations, which could adversely affect our business and results of operations.**

Financial Risks

Reductions in income and cash flow from ~~our credit card arrangement related to~~ our private label and co- branded credit cards- **card programs** could adversely affect our results of operations and financial condition. A third party, Barclays Bank Delaware (" Barclays"), currently issues and services our portfolios of private label credit card and co- branded credit card ~~cards~~ programs for our ~~Gap, Old Navy, Gap, Banana Republic, and Athleta brands.~~ **Gap, Old Navy, Gap, Banana Republic, and Athleta brands.** Our ~~agreement arrangement~~ with Barclays provides for certain payments to be made by Barclays to us, including a share of revenues from the performance of the credit card portfolios. The income and cash flow that we receive from Barclays ~~is dependent~~ **depends** upon a number of factors, including the level of sales on private label and co- branded accounts ; the level of balances carried on the accounts ; payment rates on the accounts ; finance charge rates and other fees on the accounts ; the level of credit losses for the accounts ; ~~Barclays Barclays'~~ **Barclays** 's ability to extend credit to our customers ; as well as the cost of customer rewards programs. All of these factors can vary based on changes in federal and state credit card, banking, and consumer protection laws . ~~For example, the U. S. Consumer Financial Protection Bureau (" CFPB ") recently capped credit card fees for late payments.~~ For example, the U. S. Consumer Financial Protection Bureau (" CFPB ") recently capped credit card fees for late payments. The factors affecting the income and cash flow that we receive from our credit card arrangement can also vary based on a variety of economic, legal, social, and other factors that we cannot control. If the income and cash flow that we receive from our credit card arrangement decreases significantly, our results of operations and financial condition could be adversely affected. Our business is exposed to the risks of foreign currency exchange rate fluctuations and our hedging strategies may not be effective in mitigating those risks. We are exposed to foreign currency exchange rate risk with respect to our sales, operating expenses, profits, assets, and liabilities generated or incurred in foreign currencies as well as inventory purchases in U. S. dollars for our foreign subsidiaries. Fluctuations in foreign currency exchange rates could **also** impact consumer spending or adversely affect the profitability of our foreign operations or those of our franchisees and licensees. Global economic and geopolitical uncertainty , ~~such as the ongoing conflicts between Russia and Ukraine and Israel and Hamas,~~ **such as the ongoing conflicts between Russia and Ukraine and Israel and Hamas,** have in the past and may in the future result in volatility in foreign exchange rates. Financial instruments that we use to hedge certain foreign currency risks may not succeed in fully offsetting the negative impact of foreign currency rate movements and generally only delay the impact of adverse foreign currency rate movements on our business and results of operations. We experience fluctuations in our comparable sales and margins, which could adversely affect the market price of our common stock, our credit ratings , and our liquidity. Our success depends in part on our ability to grow **comparable** sales and improve margins. A variety of factors affect comparable sales and margins, including but not limited to apparel trends ; competition ; current economic conditions (including ~~due to~~ macroeconomic pressures and geopolitical instability) ; the timing of new merchandise releases and promotional events ; changes in our merchandise mix ; the success of our marketing programs (including our loyalty program) ; supply chain disruptions and transitory costs ; foreign currency **exchange rate** fluctuations ; industry traffic trends ; and weather conditions. These factors may cause our comparable sales results and margins to differ materially from prior periods and from financial market expectations. Our comparable sales, including ~~the associated~~ comparable online sales, have fluctuated significantly in the past on an annual and quarterly basis. Over the past ~~five four~~ **four** fiscal years, our reported annual comparable sales have ranged from a high of 6 percent in fiscal 2021 to a low of ~~of~~ negative 7 percent in fiscal 2022. ~~As a result of the extensive temporary store closures during the first quarter of fiscal 2020 due to the COVID- 19 pandemic, comparable sales are not a meaningful metric for fiscal 2020 and are excluded from this range.~~ ~~Over the same period past five fiscal years,~~ **Over the same period past five fiscal years,** our reported gross margins have ranged from a high of ~~39- 41. 8- 3~~ **39- 41. 8- 3** percent in fiscal 2021- 2024 to a low of ~~34. 1- 3~~ **34. 1- 3** percent in fiscal 2020- 2022. ~~In addition, and over the past five fiscal years, our reported operating margins have ranged from a high of 7. 4 - 9 percent in fiscal 2021- 2024 to a low of negative 6- 0. 2- 4 percent in fiscal 2020- 2022.~~ **In addition, and over the past five fiscal years, our reported operating margins have ranged from a high of 7. 4 - 9 percent in fiscal 2021- 2024 to a low of negative 6- 0. 2- 4 percent in fiscal 2020- 2022.** Our ability to deliver strong comparable sales results and margins depends in large part on accurately forecasting demand and apparel trends ; selecting effective marketing techniques ; providing an appropriate mix of merchandise for our broad and diverse customer base ; managing inventory effectively ; using effective pricing strategies ; and optimizing store **and online** performance. Fluctuations in our comparable sales and margins or failure to meet financial market expectations in one or more future periods could reduce the market price of our common stock, cause our credit ratings to decline, and negatively impact our liquidity. Our level of indebtedness may adversely affect our ability to operate and expand our business. We have a secured asset- based revolving credit agreement (the " ABL Facility") . ~~As which has a borrowing capacity of February 1, 2025, we had \$ 2. 2 billion in principal amount of undrawn commitments available for borrowings under the ABL Facility, subject to borrowing base availability.~~ **As which has a borrowing capacity of February 1, 2025, we had \$ 2. 2 billion in principal amount of undrawn commitments available for borrowings under the ABL Facility, subject to borrowing base availability.** We ~~also have also issued~~ **also have also issued** \$ 1. 5 billion aggregate principal amount of Senior Notes due 2029 and 2031 (the " Senior Notes ") , ~~which remain~~ **which remain** outstanding. As a result,

we are subject to risks relating to our indebtedness. ~~As of February 3, 2024, the aggregate principal amount of our total outstanding indebtedness was \$ 1. 5 billion under the Senior Notes. As of February 3, 2024, we had \$ 2. 2 billion in principal amount of undrawn commitments available for additional borrowings under the ABL Facility, subject to borrowing base availability.~~ Our level of indebtedness could impact our business in the following ways: • make it more difficult for us to satisfy our debt obligations, including with respect to the Senior Notes and ABL Facility; • increase our vulnerability to general adverse economic and external conditions; • impair our ability to obtain additional debt or equity financing in the future for working capital, capital expenditures, acquisitions, or general corporate or other purposes; • require us to dedicate a material portion of our cash flows from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of our cash flows to fund working capital needs, capital expenditures, acquisitions, and other general corporate purposes; • expose us to the risk of increased interest rates for borrowings under the ABL Facility, which bear interest at a variable rate; • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • place us at a disadvantage compared to our competitors that have less indebtedness; and • limit our ability to adjust to changing market conditions. Any of these risks could impact our ability to operate and expand our business, which could adversely affect our business, financial condition, and results of operations. Furthermore, we may in the future incur additional indebtedness, which could intensify these risks and make it more difficult for us to satisfy our obligations under our indebtedness. We may not be able to generate sufficient cash to service all of our indebtedness and fund our working capital and capital expenditures, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful. We may be required to dedicate a substantial portion of cash flows from operations to the payment of principal and interest under our indebtedness. ~~For example, in 2023 we repaid our \$ 350 million outstanding borrowing under the ABL Facility.~~ We generated net cash from operating activities of \$ 1, 532. ~~5 million billion~~ in fiscal 2023 ~~2024~~ and ended fiscal 2023 ~~2024~~ with \$ 1, 873. ~~2. 6 million billion~~ of cash and cash equivalents, and short-term investments on our balance sheet. Our ability to make scheduled payments on our indebtedness depends upon our future operating performance and on our ability to generate cash flows in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory, and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to fund our debt service obligations and other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional debt or equity financing, or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures (including due to restrictions in our indebtedness agreements), if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. If we cannot make scheduled payments on our indebtedness, we will be in default and, as a result, our lenders could declare all outstanding principal and interest to be due and payable, could terminate their commitments to loan money to us, and could foreclose against any assets securing our indebtedness under the ABL Facility, and we could be forced into bankruptcy or liquidation. Covenants in the ABL Facility may restrict our business and could limit our ability to implement our business plan. The ABL Facility includes covenants restricting, among other things, our ability to do the following under certain circumstances: • grant or incur liens; • sell or otherwise dispose of assets, including capital stock of subsidiaries; • make investments in certain subsidiaries; • pay dividends, make distributions, or redeem or repurchase capital stock; and • consolidate or merge with or into, or sell substantially all of our assets to, another entity. Compliance with these and the other covenants in the ABL Facility may restrict our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in strategic transactions. We cannot assure you that we will be able to comply with our financial or other covenants under the ABL Facility or that any covenant violations would be waived in the future. Any violation that is not waived could result in an event of default and, as a result, our lenders under the ABL Facility could declare all outstanding principal and interest to be due and payable, could suspend commitments to make any advances, or could require any outstanding letters of credit to be collateralized by an interest bearing cash account, any or all of which could adversely affect our business, financial condition, and results of operations. Changes in our credit profile or deterioration in market conditions may limit our access to the capital markets and adversely impact our business and financial condition. We currently have corporate credit ratings of BB with a ~~negative~~ **positive** outlook from Standard & Poor's and ~~Ba3~~ **Ba2** with a ~~negative~~ **stable** outlook from Moody's. Any reduction in our credit ratings could result in reduced access to the credit and capital markets, more restrictive covenants in future financing documents and higher interest costs, and potentially increased lease or hedging costs. In addition, market conditions such as increased volatility or disruption in the credit markets could adversely affect our ability to obtain financing or refinance existing debt on terms that would be acceptable to us. Risks Related to Sustainability and Climate Change Our business is subject to evolving regulations and expectations with respect to environmental, social, and governance ("ESG") matters that could expose us to numerous risks. Increasingly regulators, customers, investors, employees, and other stakeholders are focusing on ESG matters and related disclosures. These developments have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting ESG-related requirements and expectations. For example, developing and acting on ESG-related initiatives, including design, sourcing, and operations decisions, and collecting, measuring, and reporting ESG-related information and metrics can be costly, difficult, and time consuming, and is subject to evolving reporting standards, including the SEC's recently approved climate-related reporting requirements and sustainability reporting requirements in the **United States and** European Union. We may also communicate certain ESG-related initiatives and goals in our SEC filings or in other public disclosures. These ESG-related initiatives and goals could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized **or sued** for the accuracy, adequacy, or completeness of our disclosures.

Separately, there is increased scrutiny of companies' diversity, equity, and inclusion initiatives. Negative perception of our diversity, equity, and inclusion initiatives, whether due to perceived over or under pursuit of such initiatives, may likewise result in criticism as well as potential litigation or other adverse impacts. Further, statements about our ESG-related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG-related data, processes, and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our ESG-related goals on a timely basis, or at all, our reputation, business, financial condition, and results of operations could be adversely affected. Climate change may have an adverse impact on our business. ~~There are inherent climate-related risks wherever business is conducted.~~ Our properties and operations, and those of our franchisees, vendors, and other business partners, may be vulnerable to the adverse effects of climate change, which may include an increase in the frequency and severity of weather conditions and other natural cycles such as **hurricanes, tornadoes, floods, earthquakes, wildfires, and droughts** and, **as well as** shifts in climate patterns. The physical changes prompted by climate change could result in increased regulation or changes in consumer preferences and spending patterns. Such events have the potential to disrupt our operations and those of our franchisees, vendors, and other business partners, cause store and factory closures, and impact our customers, employees, and workers in our supply chain, all of which may adversely affect our business, **financial condition, and results of operations.** General Risks Our business and results of operations could be adversely affected by natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events. Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, wildfires, **droughts**, and other extreme weather conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, labor unrest, and other political instability; negative global climate patterns, especially in water stressed regions; or other catastrophic events or disasters occurring in or impacting the areas in which our stores, distribution centers, corporate offices, or our vendors' manufacturing facilities are located, whether occurring in the United States or internationally, could disrupt our **operations, our franchisees' and the operations of** our vendors' ~~operations and other third-party partners.~~ Our disaster recovery and business continuity planning may not be sufficient in all instances to ~~mitigate~~ **respond to** the impact of such catastrophic events. In particular, these types of events could impact our supply chain from or to the impacted ~~region~~ **regions**, and could impact our ability or the ability of our franchisees ~~or and other third-party partners~~ to operate our stores or websites. These types of events could also negatively impact consumer spending in the impacted regions or globally, depending upon the severity. Disasters occurring at our vendors' manufacturing facilities could impact our reputation and our customers' perception of our brands. To the extent any of these events occur, our business and results of operations could be adversely affected. ~~Several military conflicts are taking place around the world which may adversely affect our business. The ongoing conflicts between Russia and Ukraine and Israel and Hamas have caused and may continue to cause instability and disruption in global markets. The potential impact of these conflicts and any resulting bans, sanctions and boycotts on our business is uncertain at the current time due to the fluid nature of these conflicts as they are unfolding in real-time. The potential impacts could include supply chain and logistics disruptions, volatility in foreign exchange rates and interest rates, inflationary pressures on raw materials and energy and heightened cybersecurity threats. We do not and cannot know if these conflicts could escalate and result in broader economic and security concerns which could adversely affect our business, financial condition or results of operations.~~ Failure to comply with applicable laws and regulations, and changes in the regulatory or administrative landscape, could adversely affect our business, financial condition, and results of operations. Laws and regulations at the local, state, federal, and international levels frequently change, and the ultimate cost of compliance cannot be precisely estimated. In addition, we cannot predict with assurance the impact that may result from changes in the regulatory or administrative landscape. Such laws and regulations are complex and often subject to differing interpretations, which can lead to unintentional or unknown instances of non-compliance. Our failure, or the failure of our employees, franchisees, licensees, vendors, or other business partners, to comply with applicable laws and regulations, and any changes in laws or regulations, the imposition of additional laws or regulations, or the enactment of any new or more stringent legislation that impacts employment and labor, anti-corruption, trade, product safety, transportation and logistics, health care, tax, cybersecurity, privacy, operations, or environmental issues, among others, could adversely affect our business, financial condition, and results of operations. We are subject to various proceedings, lawsuits, disputes, and claims from time to time, which could adversely affect our business, financial condition, and results of operations. As a multinational company, we are subject to various proceedings, lawsuits, disputes, and claims ("Actions") arising in the ordinary course of our business. Many of these Actions raise complex factual, **tax**, and legal issues and are subject to uncertainties. Actions filed against us from time to time include commercial, intellectual property, customer, employment, securities, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. **In addition, we have filed a petition in the U. S. Tax Court to defend research credits taken in prior years.** Actions are in various procedural stages and some may be covered in part by insurance. We cannot predict with assurance the outcome of Actions brought against us. Additionally, defending against ~~or pursuing~~ Actions may involve significant expense and diversion of management's attention and resources. Accordingly, developments, settlements, or resolutions may occur and impact income in the quarter of such development, settlement, or resolution. An unfavorable outcome could adversely affect our business, financial condition, and results of operations.