Risk Factors Comparison 2024-02-28 to 2023-03-01 Form: 10-K

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The following is a summary of the principal risks that could adversely affect our business, operations and financial results: Risks Related to Our Operations • failure of suppliers to consistently supply us with opportunistic products at attractive pricing, which is generally not in our control; • inability to successfully identify trends and maintain an appropriate level of opportunistic products; • failure to maintain or increase comparable store sales; • ~~failure~~ **any significant disruption** to ~~open, relocate or~~ **our** ~~remodel stores on schedule~~ **distribution network, the operations of our distributions centers** and ~~on budget~~ **our timely receipt of inventory** ; • inflation and other changes affecting the market prices of the products we sell; • risks associated with newly opened stores; • **failure to open, relocate or remodel stores on schedule and on budget; •** costs and successful implementation of marketing, advertising and promotions; • failure to maintain our reputation and the value of our brand, including protecting our intellectual property ~~; • any significant disruption to our distribution network, the operations of our distributions centers and our timely receipt of inventory~~ ; • inability to maintain sufficient levels of cash flow from our operations; • risks associated with leasing substantial amounts of space; • failure to **properly integrate any acquired businesses; • natural or man- made disasters, climate change, power outages, major health epidemics, pandemic outbreaks, terrorist acts, global political events or other serious catastrophic events and the concentration of our business operations; • failure to** participate effectively in the growing online retail marketplace; • ~~natural or man- made disasters, unusual weather conditions (which may become more frequent due to climate change), power outages, major health epidemics, pandemic outbreaks, terrorist acts, global political events or other serious catastrophic events and the concentration of our business operations; •~~ unexpected costs and negative effects if we incur losses not covered by our insurance program ~~; • inability to attract, train and retain highly qualified employees~~ ; • difficulties associated with labor relations and shortages; • **inability to attract, train and retain highly qualified employees or the** loss of ~~our~~ key personnel **; • failure to remediate** ~~or~~ **our** ~~inability to hire additional qualified personnel~~ **material weakness in our internal control over financial reporting** ; Risks Related to Our Business Environment • risks associated with economic conditions; • competition in the retail food industry; • movement of consumer trends toward private labels and away from name- brand products; **risks associated with deploying our own private label brands;** Risks Related to Our IO Model **• inability to attract and retain qualified independent operators (" IOs");** • failure of our IOs to successfully manage their business; • failure of our IOs to repay notes outstanding to us ~~; • inability to attract and retain qualified IOs~~ ; • inability of our IOs to avoid excess inventory shrink; • any loss or changeover of an IO; • legal proceedings initiated against our IOs; • legal challenges to the IO / independent contractor business model; • failure to maintain positive relationships with our IOs; • risks associated with actions our IOs could take that could harm our business; Risks Related to ~~Data Protection, Cybersecurity and~~ our Information Technology Systems **, Data Protection and Cybersecurity • material disruption to our information technology systems;** • failure to maintain the security of information we hold relating to personal information or payment card data of our customers, employees and suppliers ~~; • material disruption to our information technology systems~~ ; Risks Related to Legal and Regulatory Risks • risks associated with products we and our ~~independent operators ("~~ IOs ~~")~~ sell; • risks associated with laws and regulations generally applicable to retailers; • legal proceedings from customers, suppliers, employees, governments or competitors; Risks Associated with our Indebtedness • our substantial indebtedness could affect our ability to operate our business, react to changes in the economy or industry or pay our debts and meet our obligations; • restrictive covenants in our debt agreements may restrict our ability to pursue our business strategies, and failure to comply with any of these restrictions could result in acceleration of our debt; Risks Related to Accounting, Tax and Financial Statement Matters • risks associated with tax matters, including changes in tax laws; • changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters; Risks Related to Our Common Stock • our quarterly operating results fluctuate and may fall short of prior periods, our projections or the expectations of securities analysts or investors; • future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our common stock to decline; and • provisions in our organizational documents could delay or prevent a change of control. For a more complete discussion of the material risks facing our business, see below. We depend on suppliers to consistently supply us with opportunistic products at attractive pricing, which is generally not in our control. Our business is dependent on our ability to strategically source a sufficient volume and variety of opportunistic products at attractive pricing. While opportunistic buying, operating with appropriate inventory levels and frequent inventory turns are key elements of our business strategy, they subject us to risks related to the pricing, quantity, mix, quality and timing of inventory flowing to our stores. We do not have significant control over the supply, cost or availability of many of the opportunistic products offered for sale in our stores. Shortages or disruptions in the availability of quality products that excite our customers and drive customer traffic could have a material adverse effect on our business, financial condition and results of operations. As our store base continues to grow, our ability to secure opportunistic products in sufficient quantities may become more difficult. All of our inventory is acquired through purchase orders and we generally do not have long- term contractual agreements with our suppliers that obligate them to provide us with products exclusively or at specified quantities or prices, or at all. Any of our current suppliers may decide to sell products to our competitors and may not continue selling products to us. In order to retain our competitive advantage, we need to continue to develop and maintain relationships with qualified suppliers that can satisfy our standards for quality and our requirements for delivery of products in a timely and efficient manner at attractive prices. The need to grow existing relationships and develop new relationships with qualified suppliers is particularly important as we seek to continue to expand our operations and enhance our product offerings in the future. Manufacturers and distributors of name- brand, large volume products have become increasingly consolidated. Further consolidation of manufacturers or distributors could reduce our supply options and detrimentally impact the terms under which we purchase products. If one or more of our existing significant suppliers were to be unable or unwilling to continue providing products to us on attractive terms, or at all, we may have difficulty finding replacement suppliers on commercially reasonable terms or at all. The loss of one or more of our existing significant suppliers or our inability to develop relationships with new suppliers could reduce our competitiveness, slow our plans for further expansion and cause our net sales and operating results to be materially adversely affected. Our supply chain is subject to risks, including distribution and transportation, labor disputes or constraints, union organizing activities, financial liquidity, inclement weather, natural disasters, significant public health and safety events, supply constraints and general economic and political conditions that could limit ~~their~~ **our suppliers'** ability to provide us with quality products. As discussed ~~in" Item 1. Business" and~~ elsewhere in these risk factors, these risks have in the past delayed or precluded, and may in the future delay or preclude, delivery of product to us on a timely basis or at all. We may not be able to successfully identify trends to meet consumer demand and maintain an appropriate level of opportunistic products. We depend on repeat visits by our customer base to drive sales, and we rely on desirable opportunistic products at discounts to excite our customers to make such repeat visits. Consumer preferences often change rapidly and without warning. We may not successfully address consumer trends or be able to acquire desirable opportunistic products, and we expect competition for customers to increase as online shopping by customers continues to expand ~~. In response to recent macroeconomic conditions, many CPGs reduced SKU assortment, resulting in lower levels of opportunistic product~~ . We generally make individual purchase decisions for products that become available, and these purchases may be for large quantities that we may not be able to sell on a timely or cost- effective basis. Some of our products are sourced from suppliers at significantly reduced prices for specific reasons, and we are not always able to purchase specific products on a recurring basis. To the extent that some of our suppliers are better able to manage their inventory levels and reduce the amount of their excess inventory, the amount of over- stock and short- dated products available to us could also be materially reduced, making it difficult to deliver products to our customers at attractive prices. Maintaining adequate inventory of quality, name- brand products requires significant attention and monitoring of market trends, local markets and developments with suppliers and our distribution network, and it is not certain that we or **our** IOs will be effective in inventory management. We base our purchases of inventory, in part, on our sales forecasts. If our sales forecasts overestimate customer demand, we may experience higher inventory levels and need to take markdowns on excess or slow- moving inventory, leading to decreased profit margins. Conversely, if our sales forecasts underestimate customer demand, we may have insufficient inventory to meet demand, leading to lost sales, either of which could materially adversely affect our financial performance. In addition, a majority of the assortment in each Grocery Outlet store is selected by IOs based on local preference and shopping history, and the inability of the IOs to successfully identify trends in the local market could materially adversely affect our financial performance. Our long- term success depends in part on our ability and the ability of the IOs to maintain or increase comparable store sales, and if we are unable to **continue to** achieve comparable store growth over the long- term, our profitability and performance could be materially adversely impacted. The IOs are responsible for store operations. Our success depends on, among other things, increasing comparable store sales through our opportunistic purchasing strategy and the ability of the IOs to increase sales and profits. To increase net sales, and therefore comparable store sales growth and profits, we and the IOs focus on delivering value and generating customer excitement by strengthening opportunistic purchasing, providing an increasing number of everyday products, optimizing inventory management, maintaining strong store conditions and effectively marketing current products and new product offerings. Competition and pricing pressures from competitors and suppliers may also materially adversely impact our comparable sales if we lose customers as a result. After many years of consecutive growth in comparable store net sales, we had year- over- year declines in fiscal 2021, primarily due to outsized financial performance in fiscal 2020 and continued impacts of the COVID- 19 pandemic, including changes in consumer behavior, supplier issues and other related challenges. While fiscal 2022 ~~was a~~ **and 2023 were** ~~year~~ **years** of comparable positive sales growth, our comparable store sales growth in future years could be lower than our historical average or our future target for many reasons, many of which we do not significantly control, including general economic conditions that may not favor our model, operational performance (including by the IOs), price inflation or deflation, or changes in response to competitive factors, changes in our existing supplier relationships or our inability to develop new supplier relationships, industry competition (e- commerce), new competitive entrants near our stores, price changes in response to competitive factors, any comparison year or quarter having above- average net sales results, possible supply shortages or other operational disruptions, the number and dollar amount of customer transactions in our stores, our ability to provide product or service offerings that generate new and repeat visits to our stores and the level of customer engagement that we and the IOs provide in our stores. In addition, we may not accurately model cannibalization by our new stores when we open new stores in established markets, which could reduce comparable store sales. **Significant disruption in our distribution network and our timely receipt of inventory has had in recent years,and could continue to have,an adverse impact on our operating performance.We rely on our distribution and transportation network to** provide goods to our distribution centers and stores in a timely and cost- effective manner.Our stores are highly dependent on the successful operations of our distribution ~~,transportation and technology networks~~ - **network** , ~~as~~ **including because** IOs **typically** ~~use these systems to~~ order multiple deliveries per week and many of our products have a limited shelf life from the time of purchase,particularly opportunistic buys and fresh foods.Deliveries to our stores occur from our distribution centers or directly from our suppliers.We use three primary leased distribution centers that we operate and five primary distribution centers operated by third- parties.Any disruption,unanticipated or unusual expense or operational failure related to ~~these~~ **this** ~~processes~~ - **process** ~~and systems~~ could affect store operations negatively.For example,during fiscal ~~2023~~ **2021 labor shortages** ~~we replaced components of our enterprise resource planning system,including our financial ledger,inventory management platform~~ and **supply chain disruptions caused logistical challenges for us and many other businesses in the**

retail industry,causing delay in product ~~data warehouse system~~ **delivery to our distribution centers,stores and customers** . ~~The implementation of these~~ **These logistical** ~~system upgrades resulted in ordering and inventory disruptions beginning in late August 2023,which resulted in reduced net sales and gross margin.Please also see the risk factor below entitled:" Any material~~ challenges **caused increased costs to deliver goods to** ~~or~~ **our stores resulting from increased fuel costs** ~~difficulties in maintaining or updating our existing technology~~ , **increased carrier rates and driver wages as** ~~including developing or implementing new technology could have~~ a ~~material adverse effect on our business or results~~ **result** of **driver shortages,a decrease** ~~operations." We have also experienced ordering and inventory disruptions~~ in **transportation capacity,and slowdowns** ~~recent years related to system issues at our third party distribution centers~~ .If similar circumstances were to occur and persist,they could have a material adverse impact on our operations and our ability to generate sales and earn profits.In addition,events beyond our control,such as disruptions in operations due to fire,adverse weather conditions or other catastrophic events or labor disagreements,may result in delays in the delivery of merchandise to our stores.While we maintain business interruption ~~and cybersecurity~~ insurance,in the event our distribution centers are shut down for any reason,such insurance may not be sufficient **,** and any related insurance proceeds may not be timely paid to us ~~,and our reputation and customer relationships could still be adversely impacted~~ .Furthermore,there can be no guarantee that we will be able to renew the leases or third- party distribution and transportation contracts,as applicable,on our distribution centers on attractive terms or at all,which may increase our expenses and cause temporary disruptions in our distribution network.As we continue to implement our store growth strategy,our distribution centers may not have sufficient capacity to optimally support all of our stores and effectively managing our distribution network and distribution centers will become more complex.Our new store locations receiving shipments may be further away from our distribution centers, **which may increase transportation costs and may create transportation scheduling strains,or may require us to add additional facilities to the network.** Our growth strategy is highly dependent on our ability to identify and open future store locations and relocate or remodel existing store locations in new and existing markets. We believe that new store growth remains our biggest driver of long- term stockholder value. We opened ~~27~~ **28** new stores in fiscal ~~2022~~ **2023** . Our ability to open stores in a timely and successful manner depends in part on the following factors: the availability of attractive store locations (including stores that will not compete significantly with existing stores and that can be reasonably serviced by our distribution network) and rent prices; the costs of construction and the availability of construction labor and materials; the absence of entitlement processes or occupancy delays; the ability to negotiate acceptable lease and development terms; our relationships with current and prospective landlords; the ability to attract potential IOs who are strong entrepreneurs; the ability to secure and manage the inventory necessary for the launch and operation of new stores; the availability of capital funding for expansion; and general economic conditions. Any or all of these factors and conditions could materially adversely affect our growth and profitability. Our long- term goal is to expand our store base by approximately 10 % annually **on average** over the next several years. However, we cannot assure you that we will be able to consistently (on a year- over- year basis) achieve ~~this~~ **a high** level of new store growth ~~and we were below that goal for fiscal 2022~~ . Over the last ~~two~~ **few** years, planned construction and opening of new stores have been, and may continue to be, negatively impacted due to labor and materials shortages as well as longer lead times in lease execution, site permitting and construction. These challenges impacted our **organic** new store growth in **fiscal** 2022 **and 2023** and are expected to ~~continue to~~ impact **organic** ~~our new store~~ growth in ~~the first half of 2023 with~~ fiscal ~~2023~~ **2024 as well** ~~store openings weighted towards the second half of the year~~ . Additionally, we may ~~desire to or need to~~ expand into neighboring states and regions in the United States and / or engage in acquisitions **(such as our pending acquisition of United Grocery Outlet)** to meet our growth goals, and such expansion heightens the risks, challenges and uncertainties of development. We may not have the level of cash flow or financing necessary to support our growth strategy. Further, much of our new store growth is in new markets where we do not have the same brand recognition at this time. Our proposed expansion will place increased demands on our operational, managerial and administrative resources. These increased demands could cause us to operate our existing business less efficiently, which in turn could cause deterioration in the financial performance of our existing stores. If we experience a decline in performance, we may slow or discontinue store openings, or we may decide to close stores that are unable to operate in a profitable manner. If we fail to successfully implement our growth strategy, including by opening new stores on a timely basis and on budget, our operations, financial condition and operating results would be materially and adversely affected . Because we are an extreme value......, financial condition and results of operations . Our success depends upon the successful implementation of our marketing, advertising and promotional efforts. We promote brand awareness and drive customers to shop through centralized marketing initiatives along with local IO marketing efforts. We and the IOs use marketing and promotional programs to attract customers into our stores and to encourage purchases. If we or the IOs are unable to develop and implement effective marketing, advertising and promotional strategies, we may be unable to achieve and maintain brand awareness and repeat store visits. We may not be able to advertise cost effectively in new or smaller markets in which we have fewer stores, which could slow growth at such stores. Changes in the amount and degree of promotional intensity or merchandising strategies by our competitors could cause us to have difficulties in retaining existing customers and attracting new customers. If the efficacy of our marketing or promotional activities declines or if such activities of our competitors are more effective than ours, it could have a material adverse effect on our business, financial condition and results of operations. While we **have launched** ~~recently began piloting~~ a mobile personalization app **in some states and are increasing the rollout to additional states in fiscal 2024** , which informs customers of new and top selling items, provides curated product recommendations and tracks savings, we do not maintain a traditional loyalty program for customers, and our competitors may be able to offer their customers promotions or loyalty program incentives that could result in fewer shopping trips to or purchases from our stores. If we are unable to retain the loyalty of our customers, our sales could decrease and we may not be able to grow our store base as planned, which could have a material adverse effect on our business, financial condition and results of operations. Certain of our competitors have established, long- standing, mobile apps and personalized marketing.

There can be no assurance that our investment in this area will be repaid. If we fail to maintain our reputation and the value of our brand, including protection of our intellectual property rights, our sales and operating results may decline and the carrying value of our goodwill and other intangible assets may be impaired. We believe our continued success depends on our ability to maintain and grow the value of our brand. Brand value is based in large part on perceptions of subjective qualities. The reputation of our company and our brand may be damaged in all, one or some of the markets in which we do business, by adverse events at the corporate level or by an IO acting outside of Grocery Outlet' s brand standards, or by action (or inaction), by us or our IOs on issues like social policies, merchandising, compliance related to social, product, labor and environmental standards or other sensitive topics. Further, any perceived lack of transparency about such matters, could harm our reputation. The increasing use of social media platforms and online forums may increase the chance that an adverse event could negatively affect the reputation of our brand. The online dissemination of negative information about our brand, including inaccurate information, could harm our reputation and our brand. We regard our intellectual property, including trademarks and service marks, as having significant value, and our brand is an important factor in the marketing of our stores. We monitor and protect against activities that might infringe, dilute or otherwise violate our trademarks and other intellectual property and rely on trademark and other laws of the United States, but we may not be able or willing to successfully enforce our trademarks or intellectual property rights against competitors or challenges by others. For example, we are aware of certain companies in jurisdictions where we do not currently operate using the term" GROCERY OUTLET." Moreover, we have disclaimed the terms" GROCERY OUTLET" and" MARKET" with respect to our" GROCERY OUTLET BARGAIN MARKET" trademarks, among other disclaimed terms with respect to our registered trademarks and trademark applications. If a third party uses such disclaimed terms in its trademarks, we cannot object to such use. Additionally, if we fail to protect our trademarks or other intellectual property rights, others may copy or use our trademarks or intellectual property without authorization, which may harm the value of our brand, reputation, competitive advantages and goodwill and adversely affect our financial condition, cash flows or results of operations. Actions we have taken to establish and protect our intellectual property rights may not be adequate. There may in the future be opposition and cancellation proceedings from time to time with respect to some of our intellectual property rights. We have initiated, and may in the future initiate, oppositions and cancellation proceedings to thwart third party filings that encroach upon our intellectual property rights. In some cases, litigation may be necessary to protect or enforce our trademarks and other intellectual property rights. Furthermore, third parties may assert intellectual property claims against us, and we may be subject to liability, required to enter into costly license agreements, if available at all, required to rebrand our products and / or prevented from selling some of our products if third parties successfully oppose or challenge our trademarks or successfully claim that we infringe, misappropriate or otherwise violate their trademarks, copyrights, patents or other intellectual property rights. Bringing or defending any such claim, regardless of merit, and whether successful or unsuccessful, could be expensive and time- consuming and have a negative effect on our business, reputation, results of operations and financial condition. Our brand value and intellectual property represents a significant portion of our goodwill and intangible assets. Accounting rules require us to review the carrying value of our goodwill and other intangible assets for impairment annually or whenever events or changes in circumstances indicate that the carrying value of such assets may not be fully recoverable. If the testing performed indicates that impairment has occurred, we are required to record a non- cash impairment charge. The testing goodwill and intangible assets for impairment requires us to make estimates that are subject to significant assumptions. Changes in our estimates, or changes in actual performance compared with these estimates, may affect the fair value of goodwill or intangible assets, which also may result in an non- cash impairment charge. If a significant amount of our goodwill and other intangible assets were deemed to be impaired, our financial condition and results of operations could be materially adversely affected. Significant disruption in our distribution network and...... add additional facilities to the network. We will require significant capital to fund our expanding business ~~, including for investing in technology upgrades~~ . If we are unable to maintain sufficient levels of cash flow from our operations, we may not be able to execute or sustain our growth strategy or we may require additional financing, which may not be available to us on satisfactory terms or at all. Our cash flow from operations may not provide sufficient capital to support our expanding business and execute our growth strategy, including to pay our lease obligations, build out new stores and distribution centers, remodel our stores, purchase opportunistic inventory, pay employees competitive wages and provide benefits, continue the ongoing modernization, enhancement and maintenance of our information systems ~~(including our ongoing updates to our customized enterprise resource planning system)~~ , make loans to IOs and further invest in the business. Further, our plans to grow our store base may create cash flow pressure if new locations do not perform as projected. We may need to obtain additional funds through public or private financings, collaborative relationships or other arrangements. Any equity financing or convertible financing that we may pursue could result in additional dilution to our existing stockholders and would be subject to capital market conditions at the time of any offering. Debt financing, if available, would increase our leverage and may involve restrictive covenants that could affect our ability to raise additional capital or operate our business. Additional financing may not be available to us on attractive terms to us, if at all. Inability to obtain necessary or desired liquidity could impede our competitive position, business, financial condition and results of operations and we may need to delay, limit or eliminate planned store openings or operations or other elements of our growth strategy. We are subject to risks associated with leasing substantial amounts of space, including future increases in occupancy costs. We currently lease substantially all of our store locations, primary distribution centers and administrative offices (including our headquarters in Emeryville, California), and a number of these leases expire or are up for renewal each year. Our operating leases typically have initial lease terms of ten years with renewal options for two or three successive five- year periods at our discretion. Typically, the largest portion of a store' s operating expense that we bear is the cost associated with leasing the location. Our total lease payment obligations for all operating leases in existence as of December ~~31~~ **30** , ~~2022~~ **2023** was $ ~~117~~ **132** . ~~2~~ **6** million for fiscal ~~2023~~ **2024** and $ 1. ~~3~~ **4** billion in aggregate for fiscal years ~~2024~~ **2025** through ~~2041~~ **2043** , and these obligations will increase as we open new stores that are leased. We are also generally responsible for property taxes, insurance and common area maintenance for our leased properties. If we are unable to make the required payments under our leases, the lenders or owners of the relevant leased properties, distribution centers or administrative offices may, among other things, repossess those assets, which could adversely affect our ability to conduct our operations. In addition, our failure to make payments under our operating leases could trigger defaults under other leases or under our **2023** Credit Agreement (defined below), which could cause the counterparties under those agreements to accelerate the obligations due thereunder. The operating leases for our store locations, distribution centers and administrative offices expire at various dates through ~~2041~~ **2043** . When the lease term for our stores expire, we may be unable to negotiate renewals, either on commercially reasonable terms or at all, which could cause us to close stores or to relocate stores within a market on less favorable terms. Any of these factors could cause us to close stores in desirable locations, which could have a material adverse impact on our results of operations. Over time, current store locations may not continue to be desirable because of changes in demographics within the surrounding area or a decline in shopping traffic. While we have the right to terminate some of our leases under specified conditions, we may not be able to terminate a particular lease if or when we would like to do so. If we decide to close stores, we are generally required to continue to perform obligations under the applicable leases, which generally include paying rent and operating expenses for the balance of the lease term. When we assign leases or sublease space to third parties, we may have to pay a portion of the rent and other expenses and we can remain liable on the lease obligations if the assignee or sublessee does not perform. ~~We~~ **Although historically we** have **not consummated material acquisitions** ~~very limited experience competing in the growing online retail marketplace. During fiscal 2021 and 2022~~ , we **recently** entered into ~~partnerships with three third~~ **an agreement to purchase United Grocery Outlet and we periodically consider acquisitions and other transactions as** ~~party -~~ **part** ~~grocery delivery companies to provide online shopping at our stores. Certain~~ of our ~~competitors~~ **long- term business** and **real estate strategy. If we consummate any such transaction,** a **failure** ~~number of pure online retailers have established robust online operations and significantly increased their online sales and presence in recent years. Increased competition from online grocery retailers and our lack of a robust online retail presence may reduce our customers' desire~~ to **integrate such assets and** ~~purchase products from us. If we decide to expand our online shopping~~ business **successfully** , ~~we will be exposed to new risks and challenges. Furthermore, there can be no assurance that any investments that we make to expand our online shopping capabilities will result in a positive return on investment. These factors~~ could have a material adverse effect on our business **and financial statements. Historically, we have rarely pursued or consummated material acquisitions, investments or joint ventures, although we periodically consider such opportunities as part of our growth strategy to complement our current business by enhancing our customer base, geographic penetration and scale. On February 14, 2024 we entered into a stock purchase agreement to acquire United Grocery Outlet, which includes 40 stores in six adjacent states we do not operate in currently (Tennessee, North Carolina, Georgia, Alabama, Kentucky and Virginia) and a company- operated distribution center. We expect this transaction to close early in the second quarter of fiscal 2024. Finding and assessing a potential growth opportunity and completing a transaction involves extensive due diligence, management time and expense, all of which diverts management' s attention and liquidity that could be applied to our existing core business. Furthermore, the success of any acquisition, including our pending acquisition of United Grocery Outlet, is dependent, in part, on our ability to realize the expected benefits from the integration of the acquired businesses or assets. We may incur unexpected liabilities or make incorrect estimates regarding the planned accounting for acquisitions, such as the need to record non- recurring charges or write- off of significant amounts of goodwill or other assets that could adversely affect our results of operations, and we could have unexpected challenges due to the limitations of our due diligence process or contractual provisions. Further, the integration of acquired businesses is a complex, costly and time- consuming process that requires significant management attention and resources. It is possible that the integration process could result in the loss of key employees, the disruption of our operations, inconsistencies in and incompatibility of information technology and accounting systems, as well as other compliance standards, controls, procedures and policies, difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the acquisition, additional litigation, compliance or regulatory risk (including post- closing disputes with the transaction parties), the diversion of management' s attention to integration matters and difficulties in the assimilation of employees and corporate cultures. We also may be unable to maintain relationships with customers and partners of the acquired entities, or such transaction could harm our existing business relationships. Further, the historical business model and strategy of the acquired business and the Company may be materially different, and therefore there may be heightened risks to operating the acquired business prior to integration, or to the extent certain operations and strategy are not integrated. Given our limited history in consummating such transactions, the foregoing risks may be heightened due to our lack of experience in integrating similar businesses. In addition, for significant transactions, we may expect to incur additional debt, assume contingent liabilities, issue equity and / or increase capital expenditures, which may increase leverage risks, result in dilution or reduce capital available for other investments in ongoing operations. Further, we believe that our success depends, in substantial part, on our ability to continue to maintain and enhance our brand. If any acquisition or investment dilutes or otherwise adversely affects our existing brand, causes brand confusion or impairs our ability to enhance our brand, our business** , financial condition **,** and results of operations **could be adversely impacted** . Natural or man- made disasters, **climate change** ~~unusual weather conditions~~ , power outages, major health epidemics, pandemics, terrorist acts, political events and other serious catastrophic events could disrupt our business, may expose us to unexpected costs and negatively affect our financial performance. The current concentration of our stores creates an exposure to local or regional impacts of such events and local economic downturns. Our business has been and could in the future be severely impacted by natural or man- made disasters and unusual weather conditions (which may become more frequent due to climate change), power outages, pandemic outbreaks, terrorist acts, global political events and other serious catastrophic events beyond our control. In the event of a natural or man- made disaster, governments have and, in the future, may declare a state of emergency and impose regulations on business operations. These occurrences could adversely impact our business by causing direct asset or inventory losses or physical damage to our distribution centers or our stores, store closures, reduced customer traffic or changed shopping behaviors, disruptions to production, supply and delivery of products to our stores, staffing shortages, increased costs or disruptions to our information systems and other systems. With respect to future outbreaks, to the extent that a pathogen is, or is perceived to be, food- borne, the price and availability of certain food products may be impacted and could cause our customers to consume less of such product. As of December ~~31~~ **30** , ~~2022~~ **2023** , we operated ~~257~~ **267** stores and distributed product from four distribution centers in California in addition to having our administrative offices in California, making California our largest market, representing ~~58~~ **57** % of our total stores. As a result, our business is currently more susceptible to any unforeseen events or circumstances of the types described above that negatively affect these areas as well as regional conditions, economic downturns or disruptions, such as changes in demographics, population and employee bases, wage increases, property tax increases, and changes in economic conditions, than the operations of more geographically diversified competitors. For example, there have been significant fires across the west coast of the United States ~~from 2018 through 2022~~ **over the last several years** , causing a number of stores to be closed as well as suffer inventory losses related to power outages and evacuations. In 2018, our store in Paradise, California, burned down entirely. The frequency and severity of wildfires may increase in the future due to climate change. The United States and other countries have experienced, and may experience in the future, major health epidemics related to viruses or other pathogens. Epidemics, or the perception that such epidemics may occur, may cause people to avoid gathering in public places, which may adversely affect our customer traffic, our ability and that of our IOs to adequately staff our stores and operations, and our ability to transport product on a timely basis. **Furthermore, the long- term impacts of climate change are expected to be widespread and unpredictable. Climate change poses both physical risks (posed by extreme weather conditions, drought, and / or rising sea levels), and transition risks (posed by regulatory changes or reputational risks). These factors could, among other negative consequences, increase our energy costs, damage our stores or distribution centers, disrupt our supply chain, negatively impact our workforce or reputation, and increase compliance and technology costs.** Any of these ~~factors~~ **occurrences** may disrupt our business and materially adversely affect our financial condition and results of operations and the occurrence of any of these events in a region where our stores or other operations are concentrated may increase the impact of such disruption and adverse effect **. We have very limited experience competing in the growing online retail marketplace. During fiscal 2021 and 2022, we entered into partnerships with three third party grocery delivery companies to provide online shopping at our stores. Certain of our competitors and a number of pure online retailers have established robust online operations and significantly increased their online sales and presence in recent years. Increased competition from online grocery retailers and our lack of a robust online retail presence may reduce our customers' desire to purchase products from us. If we decide to expand our online shopping business, we will be exposed to new risks and challenges. Furthermore, there can be no assurance that any investments that we make to expand our online shopping capabilities will result in a positive return on investment. These factors could have a material adverse effect on our business, financial condition and results of operations** . We may incur losses not covered by our insurance or claims may differ from our estimates. Our insurance coverage may not be sufficient, and any related insurance proceeds may not be timely paid to us. Our insurance coverage reflects deductibles, self- insured retentions, limits of liability and similar provisions that we believe are reasonable based on our operations. However, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other crime, certain wage and hour and other employment- related claims, including class actions, actions based on certain consumer protection laws and some natural and other disasters or similar events. If we incur these losses and they are material, our business could suffer. Further, injured parties with claims against our IOs may bring actions against us if our IOs failed to secure and retain adequate insurance. Certain types of events, such as earthquakes or wildfires, may result in sizable losses for the insurance industry and adversely impact the availability of adequate insurance coverage or result in excessive premium increases. Our retail stores located in California, and the inventory in those stores, are not currently insured against losses due to earthquakes. We have experienced significant challenges in renewing the insurance policies for our stores and insurers have incurred substantial losses related to property claims from fires, floods and other catastrophic events and are significantly increasing policy premiums, increasing their requirements around building engineering standards or cutting back capacity for coverage offerings to layered / quota share. For example, there have been significant fires across the west coast of the United States ~~from 2018 through 2022~~ **over the last several years** . In 2018, our store in Paradise, California, burned down entirely and we have also suffered inventory losses related to power outages and evacuations due to fires. These risks may be exacerbated in the future due to climate change. To offset negative insurance market trends, we may elect to increase our self- insurance coverage, accept higher deductibles or reduce the amount of coverage. We currently self- insure, or insure through captive insurance companies, a significant portion of expected losses under our workers' compensation, automobile liability and general liability insurance programs. Unanticipated changes in any applicable actuarial assumptions and management estimates, could result in materially different expenses than expected under these programs, which could have a material adverse effect on our results of operations and financial condition ~~. If we or our IOs are unable to attract, train and retain qualified employees, our financial performance may be negatively affected. Our future growth, performance and positive customer experience depends on our and the IOs' ability to attract, train, retain and motivate qualified employees who understand and appreciate our culture and are able to represent our brand effectively and establish credibility with our business partners and customers. We and the IOs face intense competition for management personnel and hourly employees. If we and the IOs are unable to attract and retain adequate numbers of qualified employees, our operations, customer service levels and support functions could suffer. There is no assurance that we and the IOs will be able to attract or retain highly qualified employees to operate our business~~ . Labor relation difficulties could materially adversely affect our business. Employees at two Company- operated stores are represented by the

United Food and Commercial Workers Union. Our employees and those of the IOs have the right at any time to form or affiliate with a union. As we continue to grow, enter different regions and operate distribution centers, unions may attempt to organize the employees of our different IOs or our distribution centers within certain regions. If we determine to open more Company-operated stores, we may have additional employees represented by unions. We cannot predict the adverse effects that any future organizational activities will have on our business, financial condition and operating results. If we or the IOs were to become subject to work stoppages, we could experience disruption in our operations and increases in our labor costs, either of which could materially adversely affect our business, financial condition and operating results. ~~Our~~ **If we or our IOs are unable to attract, train and retain qualified employees, our financial performance may be negatively affected. Additionally, our** success depends in part on our executive officers and other key personnel. **Our future growth, performance and positive customer experience depends on our and the IOs' ability to attract, train, retain and motivate qualified employees who understand and appreciate our culture and are able to represent our brand effectively and establish credibility with our business partners and customers.** We **and the IOs face intense competition for management personnel and hourly employees. If we and the IOs are unable to attract and retain adequate numbers of qualified employees, our operations, customer service levels and support functions could suffer. There is no assurance that we and the IOs will be able to attract or retain highly qualified employees to operate our business. Additionally, we** believe that our success depends to a significant extent on the skills, experience and efforts of our executive officers and other key personnel. Due to the uniqueness of our model, the unexpected loss of services of any of our executive officers or other key personnel could have a material adverse effect on our business and operations. **In December 2022, our then Chief Executive Officer transitioned to the role of Chairman of the Board, and effective March 1, 2024, our Chief Financial Officer will be departing to pursue another opportunity. There can be no assurance that our executive succession planning, retention or hiring efforts will be successful. Competition for skilled and experienced management in our industry is intense, and we may not be successful in attracting and retaining qualified personnel.** We do not maintain key person insurance on any of our key personnel. ~~Effective January 1~~ **Difficulties associated with the replacement of components of our enterprise resource planning system caused a material weakness our internal control over financial reporting. If we are unable to remediate the material weakness in our internal control over financial reporting or if we experience other material weaknesses** , **it may negatively impact our ability to meet our reporting obligations and cause investors to lose confidence in our reported financial information, which in turn could cause the trading price of our common stock to decline. As disclosed in" Item 9A. Controls and Procedures" of this Annual Report on Form 10- K, in connection with the preparation of financial statements for fiscal** 2023, ~~Mr. Sheedy was appointed President and Chief Executive Officer following~~ **management determined that we had a material weakness in our internal control over financial reporting pertaining to certain information technology general computer controls that were insufficient during** the ~~retirement~~ **replacement** of ~~Mr. Lindberg as Chief Executive Officer and his~~ **components of our enterprise resource planning system in late August 2023, which led to a significant increase in the volume of** ~~transition~~ **transactions across user access, program change management, and IT operations for which our existing controls were not designed** to **address** ~~Chairman of the Board~~. ~~There can~~ **Our remediation efforts began during the fiscal quarter ended December 30, 2023 and are expected to** be ~~no~~ **completed during the current fiscal year ending December 28, 2024. We cannot** ~~assurance~~ --- **assure** that ~~our executive succession planning, retention or hiring efforts~~ **the measures we have taken to date and may take in the future** will be ~~successful. Competition~~ **sufficient to remediate the control deficiencies that led to our material weakness** ~~for~~ - **or** ~~skilled~~ **that we will prevent or avoid potential future material weaknesses. Any weaknesses or deficiencies or any failure to implement required new or improved controls, or difficulties encountered in the implementation or operation of these controls, could harm our operating results** and **cause us to fail to meet our financial reporting obligations, our obligations under our debt instruments or result in material omissions or misstatements in our financial statements. Any material weakness (including the material weakness** ~~experienced~~ - **referenced above) and our failure to remediate such material weakness could have a material adverse effect on our business and financial statements, as well as our reputation and reduce our stock price. Additionally, material weaknesses could result in litigation or regulatory actions by the SEC or other regulatory authorities or other disputes involving federal and state securities laws, loss of investor confidence, and diversion of financial and** management ~~in~~ **resources from the operation of** our **business** ~~industry is intense, and we may not be successful in attracting and retaining qualified personnel~~. Economic conditions and other economic factors may materially adversely affect our financial performance and other aspects of our business by negatively impacting our customers' disposable income or discretionary spending, increasing our costs and expenses, affecting our ability to plan and execute our strategic initiatives, and materially adversely affecting our sales, results of operations and performance. General conditions in the United States and global economy that are beyond our control may materially adversely affect our business and financial performance. While we have not previously been materially adversely affected by periods of decreased consumer spending, any factor that could materially adversely affect the disposable income of our customers could decrease our customers' spending and number of trips to our stores, which could result in lower sales, increased markdowns on products, a reduction in profitability due to lower margins and may require increased selling and promotional expenses. These factors include but are not limited to unemployment, minimum wages, significant public health and safety events, inflation and deflation, the threat, outbreak or escalation of terrorism, military conflicts, or other hostilities and related international sanctions (such as the ongoing Russia-Ukraine **or Middle East** ~~conflict~~ **conflicts**), trade wars and interest and tax rates. Many of the factors identified above also affect commodity rates, costs of transportation, leasing, labor, insurance and healthcare, the strength of the U. S. dollar, measures that create barriers to or increase the costs associated with international trade, changes in laws, regulations and policies and other economic factors, all of which may impact our cost of goods sold and our selling, general and administrative expenses, which could materially adversely affect our business, financial condition and results of operations. These factors could also materially adversely affect our ability to plan and execute our strategic initiatives, invest in and open new stores, prevent current stores from closing, and may have other material adverse consequences which we are unable to fully anticipate or control, all of which may materially adversely affect our sales, cash flow, results of operations and performance. We have limited or no ability to control many of these factors. Food retailers provide alternative options for consumers and compete aggressively to win those consumers; our failure to offer a compelling value proposition to consumers could limit our growth opportunities. The retail food industry includes mass and discount retailers, warehouse membership clubs, online retailers, conventional grocery stores and specialty stores. These businesses provide alternative options for the consumers whom we aim to serve. Our success relative to these retailers is driven by a combination of factors, primarily product selection and quality, price, location, customer engagement and store format. Our success depends on our ability to differentiate ourselves and provide value to our customers, and our failure to do so may negatively impact our sales. To the extent that other food retailers lower prices or run promotions, our ability to maintain profit margins and sales levels may be negatively impacted. We and the IOs may have to increase marketing expense to attract customers, and may have to mark down prices to be competitive and not lose market share. This limitation may materially adversely affect our margins and financial performance. Competition for customers has intensified as other discount food retailers, such as Aldi, Lidl and WinCo have moved into, or increased their presence in, our geographic and product markets. We expect this competition to continue to increase. In addition, we experience high levels of competition when we enter new markets. Some of the other food retailers may have been in the region longer and may benefit from enhanced brand recognition in such regions. Some food retailers may have greater financial or marketing resources than the IOs do and may be able to devote greater resources to sourcing, promoting and selling their products than the IOs. As competition in certain regions intensifies, or we move into new regions or other food retailers open stores in close proximity to our stores, we may experience a loss of sales, decrease in market share, reduction in margin from competitive price changes or greater operating costs. If consumer trends move toward private label and away from name- brand products, our competitive position in the market may weaken. **Additionally, our private label brands may not be successful and may increase certain risks that we face.** Our business model has traditionally relied on the sale of name- brand products at meaningful discounts **to drive frequent store visits and net sales** . Consumer acceptance of, and even preference for, private label products has been increasing, however, and a trend away from name- brand products could weaken our competitive position in the market. Private label products tend to be lower priced than name- brand products and, as a result, we may have more difficulty competing against private label products on the basis of price. While we ~~may~~ **have started to** invest ~~more in the future~~ in developing **and selling** our own private labels, there can be no assurance that the performance of any such private label products would be sufficient to offset the potential decreased sales of name- brand products. In addition, ~~if~~ **as** we invest in ~~expanding~~ **and deploy** our private label products, we ~~will need~~ **are subjected** to **various new risks and regulations including product liability claims, claims related to product labeling, claims related to rights of third parties and other risks associated with entities that source, sell and** ~~make~~ **market exclusive private label offerings for retailers** ~~significant investments in developing effective quality control procedures~~ . Any failure to appropriately address some or all of these risks could have a material adverse effect on our sales, business, results of operations and financial condition **.If we are unable to attract and retain qualified IOs,our financial performance may be negatively affected.Our future growth and performance depend on our ability to attract,develop and retain qualified IOs who** understand and appreciate our culture and are able to represent our brand effectively,in particular because the vast majority of our IOs operate a single store.A material decrease in profitability of the IOs may make it more difficult for us to attract and retain qualified IOs ~~.Our relationship with the IOs is an important part of our business.To alleviate the disruption caused by our system upgrades,we elected to provide incremental commission support to IOs beginning in the third quarter of fiscal 2023 and extending into the first quarter of fiscal 2024~~ .While we use a variety of methods to attract and develop the IOs,including through our Aspiring Operators in Training (" AOT") program,there can be no assurance that we will continue to be able to recruit and retain a sufficient number of qualified AOTs and other candidates to open successful new locations in order to meet our growth targets.Our ability to maintain our current performance and achieve future growth additionally depends on the IOs' ability to **meet their labor needs while controlling wage and labor- related costs** . If the IOs are not successful in managing their business, our financial results and brand image could be negatively affected. The financial health and operational effectiveness of the IOs is critical to their and our success. The IOs are business entities owned by entrepreneurs who generally live in the same community as the store that they operate as our independent contractor. IOs are responsible for operating their store consistent with our brand standards, hiring and supervising store- level employees, merchandising and selling products, conducting local marketing, connecting with their community and complying with applicable laws, and managing and paying the expenses associated with their business. Although we select IOs through a rigorous vetting and training process, and continue to help IOs develop their business skills after they enter into an Operator Agreement with us, it is difficult to predict in advance whether a particular IO will be successful. If an IO is unable to successfully establish, manage and operate the store, their store' s performance and quality of service could be materially adversely affected. In addition, any poor performance could negatively affect our financial results and our brand reputation. Failure of the IOs to repay notes outstanding to us may materially adversely affect our financial performance. We extend financing to IOs for their initial startup costs in the form of notes payable to us that bear interest at rates between ~~3~~ **5** . ~~00~~ **50** % and 9. 95 %. There can be no assurance that any IO, will achieve long- term store volumes or profitability that will allow them to repay any amounts due nor is there any assurance that any IO will be able to repay amounts due through other means. The outstanding aggregate balance of notes receivable from IOs has increased over time as we have accelerated new store growth combined with increases to initial IO capital and working capital requirements. This balance may continue to increase as we open new stores. ~~Further, during the COVID- 19 pandemic we temporarily reduced interest rates on certain outstanding IO notes.~~ There were $ **41. 1 million and $** 37. 5 ~~million and $ 34. 2~~ million of notes to IOs outstanding as of December **30, 2023 and December** 31 ~~, 2022 and January 1~~ , 2022, respectively, with allowances of $ ~~13~~ **11** . 2 million and $ ~~11~~ **13** . ~~3~~ **2** million as of December **30, 2023 and December** 31, 2022 ~~and January 1, 2022~~ , respectively . If we are unable to attract...... controlling wage and labor- related costs . If the IOs are unable to avoid excess inventory shrink, our business and results of operations may be adversely affected. The IOs order merchandise solely from us, which we, in turn, deliver to IOs on a consignment basis. As a result, we retain ownership of all merchandise until the point in time that merchandise is sold to a customer. The IOs, however, are responsible for inventory management at their stores. Any spoiled, damaged or stolen merchandise, markdowns or price changes impact gross profit and, therefore, IO commission. We generally split these losses equally with IOs, however, excessive levels of shrink are deducted from commissions paid to IOs. Excessive shrink generally indicates poor inventory management and the IO' s failure to use due care to secure their store against theft. If IOs were to not effectively control or manage inventory in their stores, they could experience higher rates of inventory shrink which could have a material adverse effect on their financial health, which in turn, may materially and adversely affect our business and results of operations. Our Operator Agreements may be terminated by either party and upon short notice, and any loss or changeover of an IO may cause material business disruptions. Each Operator Agreement is subject to termination by either party without cause upon 75 days' notice. We may also terminate immediately" for cause." The" for cause" termination triggers include, among other things, a failure to meet our brand standards, misuse of our trademarks and actions that in our reasonable business judgment threaten to harm our business reputation. If we or an IO terminates the Operator Agreement then we must approve a new IO for that store. Any IO changeover consumes substantial time and resources. Often, a changeover will involve more than one transition, as an IO may move from an existing store, thereby creating an opening at the IO' s previous store. A failure to transition a store successfully to another IO can negatively impact the customer experience or compromise our brand standards. Termination of an Operator Agreement could therefore result in the reduction of our sales and operating cash flow, and may materially adversely affect our business, financial condition and results of operations. Legal proceedings initiated against the IOs could materially impact our business, reputation, financial condition, results of operations and cash flows. We and the IOs are subject to a variety of litigation risks, including, but not limited to, individual personal injury, product liability, intellectual property, employment-related actions, litigation with or involving our relationship with IOs and property disputes and other legal actions in the ordinary course of our respective businesses. If the IOs are unable to provide an adequate remedy in a legal action, the plaintiffs may attempt to hold us liable. We maintain that under current applicable laws and regulations we are not joint employers with the IOs, and should not be held liable for their actions. However, these types of claims may increase costs and affect the scope and terms of insurance or indemnifications we and the IOs may have. Our Operator Agreements require each IO to maintain certain insurance types and levels. Losses arising from certain extraordinary hazards, employment matters or other matters, however, may not be covered, and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks, or IOs may fail to procure the required insurance. Moreover, any loss incurred could exceed policy limits and policy payments made to IOs may not be made on a timely basis. Any legal actions against the IOs may negatively affect the reputation of our brand, which could result in a reduction of our sales and operating cash flow, which could be material and which could adversely affect our business, financial condition and results of operations. In the past, certain business models that use independent contractors to sell directly to customers have been subject to challenge under various laws, including laws relating to franchising, misclassification and joint employment. If our business model is determined to be a franchise, if IOs are found not to be independent contractors, but our employees, or if we are found to be a joint employer of an IO' s employees, our business and operations could be materially adversely affected. The IOs are independent contractors. Independent contractors and the companies that engage their services have come under increased legal and regulatory scrutiny in recent years as courts have adopted new standards for these classifications and federal legislators continue to introduce legislation concerning the classification of independent contractors as employees, including legislation that proposes to increase the tax and labor penalties against employers who intentionally or unintentionally misclassify employees as independent contractors and are found to have violated employees' overtime or wage requirements. Federal and state tax and other regulatory authorities and courts apply a variety of standards in their determination of independent contractor status. For example, the California state legislature enacted AB- 5, which became effective in California on January 1, 2020. AB- 5 codified a new test for determining worker classification that is much narrower than the traditional standard in defining the scope of who is classified as an independent contractor. There has been limited guidance to date regarding interpretation or enforcement, and there is a significant degree of uncertainty regarding its application. In addition, AB- 5 has been the subject of widespread national discussion and it is possible that other jurisdictions may enact similar laws. There is a risk that a governmental agency or court could disagree with our assessment that IOs are independent contractors or that other laws and regulations could change. If any IOs were determined to be our employees, we would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment, environmental and tort laws, which could potentially include prior periods, as well as potential liability for employee benefits and tax withholdings. Even if IOs are properly classified as independent contractors, there is a risk that a governmental agency or court might disagree with our assessment that each IO is the sole employer of its workers and seek to hold us jointly and separately responsible as a co- employer of an IO' s workers. In this case, we would incur additional exposure under federal and state tax, workers' compensation, unemployment benefits, labor, employment and tort laws, which could potentially include prior periods, as well as potential liability for employee benefits and tax withholdings since joint employers are each separately responsible for their co- employees' benefits. A misclassification ruling would mean that both IOs and IOs' employees are our employees. We continue to observe and monitor our compliance with current applicable laws and regulations, but we cannot predict whether laws and regulations adopted in the future, or standards adopted by the courts, regarding the classification of independent contractors will materially adversely affect our business or operations. Further, if we were to become subject to franchise laws or regulations, it would require us to provide additional disclosures, register with state franchise agencies, impact our ability to terminate our Operator Agreements and may increase the expense of, or adversely impact our recruitment of new IOs. Our success depends on our ability to maintain positive relationships with the IOs and any failure to maintain our relationships on positive terms could materially adversely affect our business, reputation, financial condition and results of operations. The IOs develop and operate their stores under terms set forth in our Operator Agreements. These agreements give rise to relationships that involve a complex set of mutual obligations and depend on mutual cooperation and trust. We have a standard Operator Agreement that we use with the IOs, which contributes to uniformity of brand standards. We generally have positive relationships with the IOs, based in part on our common understanding of our mutual rights and obligations under the Operator Agreement. However, we and the IOs may not always maintain a positive relationship or always interpret the Operator Agreement in the same way. Our failure to maintain positive relationships with the IOs could individually or in the aggregate cause us to change or limit our business practices, which may make our business model less attractive to the IOs or stockholders or more costly to operate. Active and / or potential disputes with IOs could damage our brand image and reputation. The success of our business depends in large part on our ability to maintain IOs in profitable stores. If we fail to maintain our IO relationships on acceptable terms, or if one or more of the more profitable IOs were to terminate their Operator Agreements, become insolvent or otherwise fail to comply with brand standards, our business, reputation, financial condition and results of operations could be materially and adversely affected. The IOs could take actions that could harm our business. The IOs are contractually obligated to operate their stores in accordance with the brand standards set forth in the Operator Agreements. However, IOs are independent contractors whom we do not control. The IOs operate and oversee the daily operations of their stores and have sole control over all of their employees and other workforce decisions. As a result, IOs make decisions independent of us that bear directly on the ultimate success and performance of their store. Nevertheless, the nature of the brand license creates a symbiotic relationship between our outcome and each IO. Indeed, because we and each of the IOs associate our separate businesses with the Grocery Outlet name and brand reputation, the failure of any IO to comply with our brand standards could potentially have repercussions that extend beyond that IO' s own market area and materially adversely affect not only our business, but the business of other IOs and the general brand image and reputation of the Grocery Outlet name. This, in turn, could materially and adversely affect our business and operating results. If any particular IO operates a store in a manner inconsistent with our brand standards, we cannot assure you that we will be able to terminate the Operator Agreement of that IO without disruptions to the operations and sales of that IO' s store or other stores. **Risks Related to Our Information Technology Systems, Data Protection and Cybersecurity We modify, update and replace our systems and infrastructure from time to time, including by adding new hardware, software and applications; maintaining, updating or replacing legacy programs; converting to global systems; integrating new service providers; and adding enhanced or new functionality, such as cloud computing technologies. In late August 2023, we replaced components of our enterprise resource planning system, including our financial ledger, inventory management platform and product data warehouse system. The implementation of these system upgrades resulted in more than anticipated ordering and inventory disruptions during the remainder of fiscal 2023. These disruptions are estimated to have negatively impacted comparable store sales by approximately 90 basis points and gross margin by 50 basis points in fiscal 2023. These implementation issues also contributed to our material weakness in our internal control over financial reporting, as discussed in" Item 9A. Controls and Procedures" of this Annual Report on Form 10- K. If we experience ongoing disruptions with these updates and / or are unable to remediate our material weakness in the future, such events could have a material adverse effect on our business, prospects, results of operations, financial condition and / or cash flows. Further, the time and resources required to implement or optimize the benefits of new technology initiatives, or potential issues that arise in implementing such initiatives, could reduce the efficiency of our operations in the short term. The efficient operation and successful growth of our business depends upon our information systems, including our ability to operate, maintain and develop them effectively. A failure of those systems could disrupt our business, subject us to liability, damage our reputation, or otherwise impact our financial results.** Any failure to maintain the security of information we hold relating to personal information or payment card data of our customers, employees and suppliers, whether as a result of cybersecurity attacks or otherwise, could subject us to litigation, government enforcement actions and costly response measures, and could materially disrupt our operations and harm our reputation and sales. In the ordinary course of business, we and the IOs collect, store, process, use and transmit confidential business information and certain personal information relating to customers, employees and suppliers. All customer payment data is encrypted, and we do not store such data in our systems. We rely in part on commercially available systems, software, hardware, services, tools and monitoring to provide security for collection, storage, processing and transmission of personal and / or confidential information. It is possible that cyber attackers might compromise our security measures and obtain the personal and / or confidential information of the customers, employees and suppliers that we hold or our business information. Moreover, an employee, contractor or third party with whom we work or to whom we outsource business operations may fail to monitor their or our systems effectively, may fail to maintain appropriate safeguards, may misuse the personal and / or confidential information to which they have access, may attempt to circumvent our security measures, may purposefully or inadvertently allow unauthorized access to our or their systems or to personal and / or confidential information or may otherwise disrupt our business operations. We and our customers could suffer harm if valuable business data or employee, customer and other proprietary information were corrupted, lost or accessed or misappropriated by third parties due to a security failure in our systems or those of our suppliers or service providers. It could require significant expenditures to remediate any such failure or breach, severely damage our reputation and our relationships with customers **and suppliers** , result in unwanted media attention and lost sales and expose us to risks of litigation and liability. In addition, as a result of recent security breaches and ransomware attacks at a number of prominent retailers, the media and public scrutiny of information security and privacy has become more intense and the regulatory environment has become increasingly uncertain, rigorous and complex. As with most companies, we have experienced cyber- attacks, attempts to breach our systems and other similar incidents, none of which were material in fiscal ~~2022~~ **2023** . As a result, we have incurred significant costs and will continue to incur such costs to monitor and safeguard our systems. We may incur significant costs if there is an unauthorized disclosure of personal information and we may not be able to comply with new regulations. In addition, various federal, state and foreign 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, information security and consumer protection. For example, the California Consumer Privacy Act (" CCPA"), which became effective on January 1, 2020, established a new privacy framework for covered businesses. In November 2021, California voters passed Proposition 24, also known as the California Privacy Rights Act (" CPRA"), which amends and expands the CCPA. The CCPA and CPRA provide new and enhanced data privacy rights to California residents, such as giving California consumers and employees the right to access and / or delete their personal information, affording consumers and employees the right to opt out of certain sales of personal information, as well as sharing for cross context behavioral advertising, and prohibiting covered businesses from discriminating against consumers (e. g., charging more for services) for exercising any of their CCPA / CPRA rights. The CPRA went into effect January 1, 2023 and added definitions for" sensitive information" as well as" contractors," and bolstered the requirements for agreements that cover the exchange of data. CPRA also established a California Privacy Protection Agency, which is responsible for enforcement activities, rulemaking, and public awareness related to privacy and data protection. Any failure to comply with the laws and regulations surrounding the protection of personal information, privacy and data security could subject us to legal and reputational risks and costs, including significant fines for non- compliance, any of which could have a negative impact on revenues and profits. Because we and the IOs accept payments using a variety of methods, including cash and checks, credit and debit cards, Electronic Benefit Transfer (" EBT") cards and gift cards, we may be subject to additional rules, regulations, compliance requirements and higher fraud losses. For certain payment methods, we or the IOs pay interchange and other related card acceptance fees, along with additional transaction processing fees. We and the IOs rely on third parties to provide payment transaction processing services, including the processing of credit cards, debit cards, EBT cards and gift cards, and it could disrupt our business if these companies become unwilling or unable to provide these services to us, experience a data security incident or fail to comply with applicable laws, rules and industry standards. We are also subject to payment card association operating rules, including data security rules, certification requirements and rules governing electronic funds transfers, which could change over time. For example, we and the IOs are subject to Payment Card Industry Data Security Standards, which contain compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. In addition, if our internal systems are breached or compromised, we and the IOs may be liable for card re- issuance costs, subject to fines and higher transaction fees and lose our ability to accept credit and / or debit card payments from our customers, and our business and operating results could be materially adversely affected. Security breaches and other disruptions to our information technology networks and systems, including a disruption related to cybersecurity, could interfere with our operations and the operations of the IOs and our suppliers, any of which could have a material adverse effect on our business and financial performance. Cyber- attacks are rapidly evolving and becoming more frequent. Such threats and the means for obtaining access to information in digital and other storage media are becoming increasingly sophisticated and may not immediately produce signs of intrusion. A cyber incident could be caused by malicious outsiders (including state- sponsored espionage or cyberwarfare) or insiders using sophisticated methods to circumvent firewalls, encryption and other security defenses. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. With more employees working remotely at times, there may be increased opportunities for unauthorized access and cyber- attacks. Further, the United States government has warned of the potential risk of Russian cyberattacks stemming from the ongoing Russian- Ukraine conflict. It is possible that cyber attackers might compromise our security measures and obtain the personal and / or confidential information of the customers, IOs, employees and suppliers that we hold or our business information. Moreover, such cyber- attacks may disrupt access to our and / or our suppliers' networks and systems. Such disruptions could result in delays or cancellations of customer orders or delays or interruptions in the shipment of orders. In addition, cyber- attacks may cause us to incur significant remediation costs, result in delays and disruptions to key business operations, and divert attention of management and key information technology resources. These cyber- incidents could also subject us to liability, expose us to significant expense, and cause significant harm to our reputation and our business. We rely on the integrity, security and consistent operation of a variety of information technology systems and back- up systems for the efficient functioning of our business, including point of sale, inventory management, purchasing, financials, logistics, accounts payable and human resources information systems. Such systems are subject to damage or interruption from power outages, facility damage, computer and telecommunications failures, computer viruses, cybersecurity breaches, cyber attacks (including malicious codes, worms, phishing and denial of service attacks and ransomware), software upgrade failures or code defects, natural disasters and human error. Damage or interruption to, or defects of design related to, these systems or the integration of such systems may require a significant investment to fix or replace, and we may suffer disruptions in our operations in the interim, loss or corruption of critical data and negative publicity, all of which could have a material adverse effect on our business or results of operations. Although we have taken steps designed to reduce the risk of these events occurring, there can be no guarantee that we or a third party on which we rely will not suffer one of these events. While we maintain cyber risk insurance intended to provide coverage in the event of a breach or other data security incident, there can be no assurance that these policies will cover all incidents that might occur or that the coverage limits under such policies will be adequate for any incidents, claims or damages that we might experience. Additionally, we are exposed to vulnerabilities with respect to our IO' s information technology systems. ~~Any material challenges or difficulties in maintaining or updating our existing technology, including modernizing components of our existing system architecture, or developing or implementing new technology could have a material adverse effect on our business or results of operations. We modify, update and replace our systems and infrastructure from time to time, including by adding new hardware, software and applications; maintaining, updating or replacing legacy~~

~~programs; converting to global systems; integrating new service providers; and adding enhanced or new functionality, such as cloud computing technologies. In addition, we have a customized enterprise resource planning system, components of which have already been replaced and additional components of which we are replacing over the next several years, including our financial ledger, inventory management platform and product data warehouse system. The implementation, operation, and proper functionality of these improvements is anticipated to require a significant investment of financial, human, and technical resources. It is possible that we could experience implementation, operational and functionality issues, delays, higher than expected costs and other issues during the course of implementing and utilizing these improvements. With any update or replacement of our systems and infrastructure there is a risk of business disruption, liability and reputational damage associated with these actions, including from not accurately capturing and maintaining data, efficiently testing and implementing changes, realizing the expected benefit of the change and managing the potential disruption of the actions and diversion of internal teams' attention as the changes are implemented. Further, the time and resources required to implement or optimize the benefits of new technology initiatives, or potential issues that arise in implementing such initiatives, could reduce the efficiency of our operations in the short term. The efficient operation and successful growth of our business depends upon our information systems, including our ability to operate, maintain and develop them effectively. A failure of those systems could disrupt our business, subject us to liability, damage our reputation, or otherwise impact our financial results.~~ Real or perceived concerns that products we and the IOs sell could cause unexpected side effects, illness, injury or death could expose us to lawsuits and harm our reputation, which could result in unexpected costs. As discussed under" Regulations" in **"** Item ~~I~~ **1** . Business **"** , we and the IOs are subject to regulation by various federal agencies. If our products do not meet applicable safety standards or our customers' expectations regarding safety, we could experience lost sales, increased costs, litigation or reputational harm. Any lost confidence on the part of our customers would be difficult and costly to reestablish. Issues regarding the quality or safety of any food items sold by us, regardless of the cause, could have a substantial and adverse effect on our sales and operating results, as well as our reputation. There is increasing governmental scrutiny, regulation of and public awareness of food safety. Unexpected side effects, illness, injury or death caused by products we and the IOs sell or involving suppliers that supply us with products could result in the discontinuance of sales of these products or our relationship with such suppliers or prevent us from achieving market acceptance of the affected products. We cannot be sure that consumption or use of our products will not cause side effects, illness, injury or death in the future, as product deficiencies might not be identified before we sell such products to our customers. We also may be subject to claims, lawsuits or government investigations relating to such matters resulting in costly product recalls and other liabilities that could materially adversely affect our business and results of operations. Even if a product liability claim is unsuccessful or is not fully pursued, negative publicity could materially adversely affect our reputation with existing and potential customers and our corporate and brand image, and these effects could persist over the long term. Any claims brought against us may exceed our existing or future insurance policy coverage or limits. Any judgment against us that is in excess of our policy limits would have to be paid from our cash reserves, which would reduce our capital resources. Further, we may not have sufficient capital resources to pay a judgment, in which case our creditors could levy against our assets. We are subject to laws and regulations generally applicable to retailers. Compliance with, failure to comply with, or changes to such laws and regulations could have a material adverse effect on our business and financial performance. Our business is subject to numerous and frequently changing federal, state and local laws and regulations. We routinely incur significant costs in complying with these regulations. The complexity of the regulatory environment in which we and the IOs operate and the related cost of compliance are increasing due to additional legal and regulatory requirements, our expanding operation and increased enforcement efforts and the future application of certain of these legal requirements to our business may be uncertain. New or existing laws, regulations and policies, liabilities arising thereunder and the related interpretations and enforcement practices, particularly those dealing with environmental protection and compliance, climate change, wage and hour and other employment- related laws, taxation, zoning and land use, workplace safety, public health, community right- to- know, product safety or labeling, food safety, alcohol and beverage sales, vitamin and supplements, information security and privacy, among others, may result in significant added expenses or may require extensive system and operating changes that may be difficult to implement and / or could materially increase our cost of doing business. For example, we or the IOs have had to comply with recent new laws in many of the states or counties in which we operate regarding recycling, waste, minimum wages, sick time, vacation, plastic bag and straw bans and sugar taxes. In addition, we and the IOs are subject to environmental laws, including but not limited to hazardous waste laws, regulations related to refrigeration and stormwater, pursuant to which we and / or the IOs could be liable or to which we could be strictly and jointly and severally liable, regardless of our knowledge of or responsibility. Approximately ~~13~~ **11** % of sales ~~are~~ **in fiscal 2023 were** in the form of EBT payments and a substantial portion of these payments may be related to benefits associated with the Supplemental Nutritional Assistance Program (" SNAP"). Accordingly, changes in EBT regulations by the U. S. Department of Agriculture or in SNAP benefits by Congress could adversely affect our financial performance. The registration and ongoing compliance requirements for SNAP participation are fairly complex and each of the IOs holds their registration under the name of their business entity and is responsible for ensuring their employees consistently comply with all SNAP rules. Failure to comply can result in de- registration by USDA which, for stores located in areas with high percentages of SNAP customers, can have a significant negative financial impact. We cannot assure you that we or the IOs will comply promptly and fully with all laws, regulations, policies and the related interpretations that apply to our stores. Untimely compliance or noncompliance with applicable regulations or untimely or incomplete execution of a required product recall, can result in the imposition of penalties (including loss of licenses, eligibility to accept certain government benefits such as SNAP or significant fines or monetary penalties), civil or criminal liability, damages, class action litigation or other litigation, in addition to reputational damage. Even with adequate insurance and indemnification, any claims of non- compliance could significantly damage our reputation and consumer confidence in products we sell. In addition, the failure of such products to comply with applicable regulatory and legislative requirements could prevent us from marketing the products or require us to recall or remove such products from our stores. Legal proceedings from customers, suppliers, employees, governments or competitors could materially impact our business, reputation, financial condition, results of operations and cash flows. From time to time, we are subject to allegations, and may be party to legal claims and regulatory proceedings, relating to our business operations. Such allegations, claims and proceedings may be brought by third parties, including our customers, suppliers, employees, governmental or regulatory bodies or competitors, and may include class actions. In recent years, companies have experienced an increase in the number of significant discrimination and harassment and wage and hour claims generally. The outcome of litigation, particularly class action lawsuits, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. While our IOs and suppliers may indemnify us for certain adverse outcomes, we may still bear significant expenses related to such proceedings. Risks Associated with Our Indebtedness Our substantial indebtedness could materially adversely affect our financial condition and our ability to operate our business, react to changes in the economy or industry or pay our debts and meet our obligations under our debt and could divert our cash flow from operations for debt payments. **We** ~~As of February 21, 2023, we~~ entered into a new Credit Agreement **on February 21, 2023** (the" **2023** Credit Agreement") under which we ~~had~~ **have** a significant amount of indebtedness ~~comprised of total borrowings of $ 325. 0 million~~ . The **2023** Credit Agreement provides for senior secured credit facilities consisting of (i) a senior secured term loan facility of $ 300. 0 million, **of** which **$ 294. 4 million** was **outstanding** ~~fully drawn~~ as of ~~such date~~ **December 30, 2023** , and (ii) a senior secured revolving credit facility of $ 400. 0 million, ~~of~~ **under** which **we had** $ ~~25~~ **395** . ~~0~~ **8** million ~~was drawn as~~ of ~~such date~~ **availability after giving effect to outstanding letters of credit** . In addition, subject to limited restrictions in our **2023** Credit Agreement, we may be able to incur substantial additional debt in the future. Our substantial debt could have important consequences to you, including the following: • it may be difficult for us to satisfy our obligations, including debt service requirements under our outstanding debt, resulting in possible defaults on and acceleration of such indebtedness; • we may be unable to obtain additional financing or refinance our existing debt on commercially reasonable terms, or at all; • a substantial portion of cash flow from operations may be dedicated to debt payments, reducing cash available to fund operations, capital expenditures, business opportunities, acquisitions and other purposes; • we may need to refinance our debt, sell material assets or operations or raise additional debt or equity capital to service our debt and meet our other commitments; • we are more vulnerable to economic downturns and adverse industry conditions and our flexibility to plan for, or react to, changes in our business or industry is more limited; and • our ability to capitalize on business opportunities and to react to competitive pressures, as compared to our competitors, may be compromised. Our ability to make payments on our debt and to fund planned capital expenditures depends on our ability to generate cash in the future, which to some extent is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we incur additional debt above the levels currently in effect, including utilizing the availability under our revolving credit facility, the risks associated with our leverage, including those described above, would increase. Furthermore, all of our debt under our **2023** Credit Agreement bears interest at variable rates. If these rates were to increase significantly, **as they did in fiscal 2022,** whether because of an increase in market interest rates or otherwise, our ability to borrow additional funds may be reduced and the risks related to our substantial debt would intensify. Restrictive covenants in our **2023** Credit Agreement may restrict our ability to pursue our business strategies, and failure to comply with any of these restrictions could result in acceleration of our debt. The operating and financial restrictions and covenants in our **2023** Credit Agreement may materially adversely affect our ability to finance future operations or capital needs or to engage in other business activities. Such restrictions and covenants limit our ability, among other things, to: • incur additional debt or issue certain preferred shares; • pay dividends on or make distributions in respect of our common stock or make other restricted payments; • make certain investments; • sell certain assets; • create liens on certain assets to secure debt; • consolidate, merge, sell or otherwise dispose of all or substantially all of our assets; • make certain payments in respect of certain junior debt obligations; • enter into certain transactions with our affiliates; and • designate our ~~subsidiaries~~ **subsidiary** as **an** unrestricted ~~subsidiaries~~ **subsidiary** . A breach of any of these covenants could result in a default under our **2023** Credit Agreement. Upon the occurrence of an event of default under our **2023** Credit Agreement, the lenders could elect to declare all amounts outstanding under our **2023** Credit Agreement to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, these lenders could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral to secure our **2023** Credit Agreement. Our future operating results may not be sufficient to enable compliance with the financial performance covenants in our **2023** Credit Agreement, and we may not have sufficient assets to repay amounts outstanding under our **2023** Credit Agreement. In addition, in the event of an acceleration of our debt upon a default, we may not have or be able to obtain sufficient funds to make any accelerated payments. Furthermore, the terms of any future indebtedness we may incur could have further additional restrictive covenants. We may not be able to maintain compliance with these covenants in the future, and in the event that we are not able to maintain compliance, we cannot assure you that we will be able to obtain waivers from the lenders or amend the covenants. Tax matters, including changes in tax laws, our ability to use deferred tax assets, and the impact of tax audits, could have a material adverse effect on our business, financial condition and results of operations. We are subject to taxes in the United States under federal, state and local jurisdictions in which we operate. We compute our income tax provision based on enacted federal and state tax rates. The governing tax laws and applicable tax rates vary by jurisdiction and are subject to interpretation and macroeconomic, political and other factors. For example, the results of U. S. Presidential and Congressional elections may lead to tax law changes. Further, the ultimate amount of tax payable in a given financial statement period may be impacted by sudden or unforeseen changes in tax laws, changes in the mix and level of earnings by taxing jurisdiction, or changes to existing accounting rules or regulations ~~. For example, the Inflation Reduction Act of 2022, enacted on August 16, 2022, imposes a one-percent non- deductible excise tax on repurchases of stock that are made by U. S. publicly traded corporations on or after~~

~~January 1, 2023, which may affect our share repurchase program. In addition, as of January 1, 2023, the Tax Act requires research and experimental and software development expenditures attributable to research conducted in the United States to be capitalized and amortized ratably over a five- year period~~ . Accordingly, the determination of our overall provision for income tax and other taxes is inherently uncertain as it requires significant judgement around complex transactions and calculations. As a result, fluctuations in our ultimate obligations may differ materially from amounts recorded in our financial statements and could adversely affect our business, financial condition and results of operations in the periods where such determination is made. In addition, ~~certain~~ **an increasing number of** states and local jurisdictions **are considering or** have ~~approved or proposed gross receipt~~ **adopted laws that impose new tax measures, including revenue- based taxes** and other tax measures ~~. For example, effective January 1, 2022, the City of Portland in Oregon enacted a 1 % tax on net revenue greater than $ 5 million~~ . Should similar tax measures succeed in other jurisdictions in which we operate, we expect that our operating expenses ~~would~~ **will** increase. As of December ~~31~~ **30** , ~~2022~~ **2023** , we had tax- effected Federal and State **net operating loss** deferred tax assets of $ ~~45~~ **30** . ~~3~~ **4** million and $ ~~3.~~ 1 **. 4** million, respectively. Our ability to use our deferred tax assets is dependent on our ability to generate future earnings within the operating loss carry- forward periods. **The** ~~Of the~~ $ ~~45~~ **30** . ~~3~~ **4** million tax effected Federal deferred tax asset ~~, $ 11. 3 million will expire beginning in 2032 and the remaining $ 34. 0 million~~ does not expire and will carryforward indefinitely. The tax effected State deferred tax ~~asset~~ **assets of $ 1. 4 million** will expire beginning in ~~2025~~ **2029** . Some or all of our deferred tax asset could expire unused if we are unable to generate taxable income in the future sufficient to utilize the deferred tax asset, or we enter into transactions that limit our right to use it. If a material portion of our deferred tax asset expires unused, it could have a material adverse effect on our future business, results of operations, financial condition and the value of our common stock. Furthermore, we are required by accounting rules to periodically assess our deferred tax assets for a valuation allowance, if necessary. In performing these assessments, we use our historical financial performance to determine whether we have potential valuation allowance concerns and as evidence to support our assumptions about future financial performance. A significant decline in our financial performance could negatively affect the results of our assessments of the recoverability of our deferred tax assets. A valuation allowance against our deferred tax assets could be material and could have a material adverse impact on our financial condition and results of operations. We may be subject to examinations in the future by federal, state and local authorities on income, employment, sales and other tax matters which may result in assessments of additional taxes. Various tax authorities may disagree with tax positions we take and if any such tax authorities were to successfully challenge one or more of our tax positions, the results could adversely affect our financial condition. We may engage in litigation regarding such matters, which may be time consuming and expensive and may not be successful. While we regularly assess the likelihood of adverse outcomes resulting from such examinations and the adequacy of our provision for taxes, there can be no assurance that such provision is sufficient and that a determination by a tax authority would not have an adverse effect on our business, financial condition and results of operations. Changes in accounting rules or interpretations thereof, changes to underlying legal agreements as well as other factors applicable to our analysis of the IO entities as variable interest entities could significantly impact our ability to issue our financial statements on a timely basis. In accordance with the variable interest entities sub- section of Accounting Standards Codification Topic 810, Consolidation, we assess during each of our reporting periods whether we are considered the primary beneficiary of a variable interest entity (" VIE") and therefore are required to consolidate the VIE in our financial statements. We have concluded that the IO entities represent VIEs. However, we have concluded we are not such VIE' s primary beneficiary and, accordingly, we do not consolidate the IO entities' financial information. Changes in accounting rules or interpretations thereof, changes to the underlying Operator Agreements (as defined elsewhere in this report) as well as other factors that may impact the economic performance of the IO entities which may be relevant to our analysis of whether to consolidate the IO entities as VIEs could significantly impact our ability to issue our financial statements on a timely basis if, as a result, we are determined to be the primary beneficiary of the IO entities and should consolidate such entities. For example, collecting the requisite accounting data from certain of our IO entities in order to consolidate their financial information would involve substantial time, effort and cost. Our quarterly operating results fluctuate and may fall short of prior periods, our projections or the expectations of securities analysts or investors. The market price of our common stock has been volatile and may continue to fluctuate substantially, due to fluctuations in our operating results or otherwise, which could result in substantial losses for purchasers of our common stock. Our operating results have fluctuated from quarter to quarter at points in the past and they may do so in the future. Therefore, results of any one fiscal quarter are not a reliable indication of results to be expected for any other fiscal quarter or for any year. If we fail to control costs, appropriately adjust costs to actual results, increase our results over prior periods, achieve our projected results, or meet the expectations of securities analysts or investors, our stock price may decline, and the decrease in the stock price may be disproportionate to the shortfall in our financial performance. **During** ~~Since the beginning of our 2022~~ fiscal ~~year through December 31, 2022~~ **2023 ,** our common stock has traded at prices as low as $ ~~23~~ **25** . ~~69~~ **71** and as high as $ ~~46~~ **36** . ~~37~~ **54** . The market price volatility of our common stock may continue due to fluctuations in our quarterly operating results or in response to other factors (regardless of our actual operating performance) included in this Risk Factors section and due to the following: • changes in expectations as to our future financial performance, including guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance, investment recommendations by securities analysts and investors or if securities analysts do not publish research or reports about our business; • declines in the market prices of stocks generally, changes in general economic or market conditions or trends in our industry or markets; • strategic actions or announcements by us, our competitors or other third parties; • changes in business or regulatory conditions; • additions or departures of key management personnel; • investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives; and • the development and sustainability of an active trading market for our stock. Price volatility may be greater if the public float and trading volume of our common stock are low. In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation. Furthermore, we currently do not expect to declare any dividends on our common stock in the foreseeable future. In addition, because we are a holding company, our ability to pay dividends on our common stock may be limited by restrictions on our ability to obtain sufficient funds through dividends from **our** ~~subsidiaries~~ **subsidiary** , including restrictions under our Credit Agreement, and may be further restricted by the terms of any future debt or preferred securities. Your only opportunity to achieve a return on your investment **currently** is if the price of our common stock appreciates. Future sales, or the perception of future sales, by us or our existing **significant** stockholders in the public market could cause the market price for our common stock to decline. Future sales of shares of our common stock **by our existing significant stockholders** in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock and might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate ~~. The market price of our shares of common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them~~ . In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then- outstanding shares of our common stock. Further, any issuance of additional equity securities by us may result in additional dilution to you. Provisions in our organizational documents could delay or prevent a change of control. Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider to be in its best interest, including attempts that might result in a premium over the market price of our common stock. These provisions provide for, among other things: • the division of our Board of Directors into three classes (which provision sunsets in 2026); • the ability of our Board of Directors to issue one or more series of preferred stock with powers, preferences and rights that may be senior or on parity with our common stock, which may reduce its value and could have the effect of impeding the success of an attempt to acquire us or otherwise effect a change of control; • advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at stockholder meetings; and • certain limitations on convening special stockholder meetings. These provisions could make it more difficult for a third party to acquire us, even if the third- party' s offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. Our amended and restated bylaws provide, subject to limited exceptions, that the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America will be the sole and exclusive forums for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our amended and restated bylaws provide, subject to limited exceptions, that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of our company, (ii) action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of our company to the Company or our stockholders, (iii) action asserting a claim against the Company or any director, officer or other employee of the Company arising pursuant to any provision of the Delaware General Corporation Law, or the DGCL, or our amended and restated certificate of incorporation or our amended and restated bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (iv) action asserting a claim against the Company or any director, officer or other employee of the Company governed by the internal affairs doctrine. These provisions shall not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended (the" Exchange Act") or any other claim for which the federal courts have exclusive jurisdiction. Unless we consent in writing to the selections of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended (the" Securities Act"), subject to and contingent upon a final adjudication in the State of Delaware of the enforceability of such exclusive forum provision. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the forum provisions in our amended and restated bylaws. These choice of forum provisions may limit a stockholder' s ability to bring a claim in a different judicial forum, including one that it may find favorable or convenient for disputes with us or any of our directors, officers or other employees which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provisions that will be contained in our amended and restated bylaws to be inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, operating results and financial condition. ~~36~~