Risk Factors Comparison 2024-02-16 to 2023-02-17 Form: 10-K

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You should carefully consider the risk factors we have described below, as well as other related information contained within this annual report on Form 10- K as these factors could materially and adversely affect our business, results of operations, financial condition and cash flows. We believe that the risks described below are our most significant risk factors but there may be risks and uncertainties that are not currently known to us or that we currently deem to be immaterial. Risks Related to Macroeconomic Conditions War, terrorism, other acts of violence or natural or man- made disasters may affect the markets in which the Company operates, the Company' s customers, and could have a material adverse impact on our business, results of operations ~~,~~ or financial condition. The Company' s business may be adversely affected by instability, disruption or destruction in a geographic region in which it operates, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest, and natural or man- made disasters, including famine, flood, fire, earthquake, storm or pandemic events and spread of disease. Such events may cause customers to suspend their decisions on using the Company' s services, make it impossible for us to render our services, cause restrictions ~~,~~ and give rise to sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to the Company' s personnel and to physical facilities and operations ~~,~~ which could materially adversely affect the Company' s financial results. Further, ~~the~~ current **international** ~~Russia- Ukraine conflict~~ **conflicts** ~~has~~ **have** created extreme volatility in the global financial markets and ~~is~~ **are** expected to have further global economic consequences, including disruptions of the global supply chain and energy markets and heightened volatility of commodity food prices. Any such volatility or disruptions may have adverse consequences on us or the third parties on whom we rely. If the equity and credit markets deteriorate, including as a result of political unrest or war, it may make any necessary debt or equity financing more difficult to obtain in a timely manner or on favorable terms, more costly or more dilutive. Our business, financial condition and results of operations may be materially and adversely affected by any negative impact on the global economy, capital markets or commodity food prices resulting from ~~the~~ **these** ~~conflict~~ **conflicts** ~~in Ukraine~~ or any other geopolitical tensions. ~~COVID- 19 and other pandemics~~ **Pandemics** , epidemics ~~,~~ or outbreaks of a contagious illness may adversely affect our operating results, cash flows and financial condition. COVID- 19, ~~the further spread of COVID- 19,~~ additional coronavirus outbreaks, or other pandemics, epidemics, or outbreaks of a contagious illness, and similar events, may cause harm to us, our employees, customers, vendors, supply chain partners ~~,~~ and financial institutions, which could have a material adverse effect on our results of operations, financial condition and cash flows. The impacts may include, but would not be limited to: • Decreased availability and / or increased cost of supplies due to increased demand around essential cleaning supplies including disinfecting agents, personal protective equipment (" PPE ") ~~,~~ and food and food- related products due to increased global demand and disruptions along the global supply chains of these manufactures and distributors; • Disruption to operations due to the unavailability of employees due to illness, quarantines, risk of illness, travel restrictions, vaccination mandates, or other factors that limit the availability of our existing or potential workforce; • Limitations to the availability of our key personnel due to travel restrictions and access restrictions to our customers' facilities; • Our ability to meet more stringent, medically- required procedures, and infection control requirements at customer facilities; • Elevated employee turnover which may impact our facility level performance and / or increase payroll expense and recruiting- related expenses; • New or additional measures required by national, state or local governments ~~to combat COVID- 19, such as a COVID- 19 vaccine mandate,~~ may impact the availability of our employees and / or increase operating costs. • Decreased census in the nursing home and long- term care industry, which could impact the financial health of our customers and thereby increase our associated credit risk with customers and increase pressures to modify our contractual terms; and • Significant disruption of global financial markets, which could negatively impact us or our customers' ability to access capital in the future ~~. The further spread of COVID- 19, and the requirements to take action to help limit the spread of the virus, could impact the resources required to carry out our business as usual and may have a material adverse effect on our results of operations, financial condition and cash flows. The extent to which COVID- 19 will impact our business and our financial results will depend on future developments, which are highly uncertain and cannot be predicted. Such developments may include the ongoing geographic spread of the virus, the severity of the disease, the duration of the outbreak and the type and duration of actions that may be taken by various governmental authorities in response to the outbreak and the impact on the United States and the global economy. Any of these developments, individually or in aggregate, could materially impact our business and our financial results and condition. We may incur additional liabilities in our Paid Loss Retrospective Insurance Plan for general liability and workers' compensation insurance related to COVID- 19 which may adversely affect our operating results, cash flows and financial condition. As a result of the impact of COVID- 19, litigation claims, enforcement actions, regulatory actions and investigations arising from personal injury and loss of life, have been and may, in the future, be asserted against us. In the event that our known claims experience and / or industry trends result in an unfavorable change in initial estimates of costs to settle such claims resulting from, among other factors, the severity levels of reported claims and medical cost inflation, it would have an adverse effect on our consolidated results of operations, financial condition and cash flows. Although we engage third- party experts to assist us in estimating appropriate reserves, the determination of the required reserves is dependent upon significant actuarial judgments. Changes in our insurance reserves as a result of our periodic evaluation of the related liabilities may cause significant fluctuations in our operating results. Although there can be no assurance, we expect many of these claims and actions, or any settlement of these claims and actions, to be covered by insurance and historically the maximum amount of our liability, net of any insurance recoverables, has been limited to our self- insurance retention levels~~ . We have been, and may continue to be, adversely affected by inflationary or market fluctuations, including impact of tariffs, in the cost of products consumed in providing our services or our cost of labor. Additionally, we rely on certain vendors for a substantial portion of housekeeping, laundry and dietary supplies. The prices we pay for the principal items we consume in performing our services are dependent primarily on current market prices. We have consolidated certain supply purchases with national vendors through agreements containing negotiated prospective pricing. In the event such vendors are not able to comply with their obligations under the agreements and we are required to seek alternative suppliers, we may incur increased costs of supplies. Dietary supplies, to a much greater extent than Housekeeping supplies, are impacted by commodity pricing factors, including the impact of tariffs, which in many cases are unpredictable and outside of our control. ~~Price increases for food staples used throughout our Dietary operations, such as eggs, resulted in increased costs during 2022.~~ We seek to pass on to customers such increased costs but sometimes we are unable to do so. Even when we are able to pass on such costs to our customers, from time to time, sporadic unanticipated increases in the costs of certain supply items due to market or economic conditions may result in a timing delay in passing on such increases to our customers. This type of spike and unanticipated increase in Dietary supplies costs could adversely affect Dietary' s operating performance, and the adverse effect could be greater if we are delayed in passing on such additional costs to our customers (e. g., where we may not be able to pass such increase on to our customers until the time of our next scheduled service billing review). We seek to mitigate the impact of an unanticipated increase in such supplies' costs through consolidation of vendors, which increases our ability to obtain more favorable pricing ~~. Our cost of labor may be influenced by factors in certain market areas or changes in the respective collective bargaining agreements to which we are a party~~ . A substantial number of our employees are hourly employees whose wage rates are affected by increases in the federal or state minimum wage rates, wage inflation or local job market adjustments **. Also, our cost of labor may be influenced by changes in the respective collective bargaining agreements to which we are a party** . As collective bargaining agreements are renegotiated, we may need to increase the wages paid to bargaining unit employees covered by such collective bargaining agreements. Although we have contractual rights to pass union and minimum wage increases through to our customers, we do not have a contractual right to automatically pass through all wage rate increases resulting from wage rate inflation or local job market adjustments, and we may be delayed in doing so. Our delay in, or inability to pass such wage increases through to our customers could have a material adverse effect on our financial condition, results of operations, and cash flows. Changes in interest rates and changes in financial market conditions may result in fluctuating and even negative returns in our investments ~~,~~ and could increase the cost of the borrowings under our borrowing agreements. Although management believes we have a prudent investment policy, we are exposed to fluctuations in interest rates and in the market value of our investment portfolio which could adversely impact our financial condition and results of operations. Our marketable securities consist of municipal bonds. Although there can be no assurance, we believe that our investment criteria requirements, which include diversification among issuers of bonds, regarding credit ratings and monitoring of our investments' duration periods, reduce our exposure to investment losses. Increases in market interest rates could adversely affect our payment obligations with respect to our variable- rate line of credit and adversely affect our liquidity and earnings. In addition, the Company relies on its portfolio of marketable securities for balance sheet support, and the value of the portfolio can be materially affected by declines in market prices. Investor and market expectations regarding our financial performance rely greatly on execution of our growth strategy and related increases in financial performance. The historical performance of our common stock, $ 0. 01 par value (the " Common Stock "), reflects market expectations for our future operating results. Our business strategy focuses on growth and improving profitability through obtaining service agreements with new customers, providing new services to existing customers, obtaining modest price increases on service agreements with customers and maintaining internal cost reduction strategies at our various operational levels. If we are unable to continue either historical customer revenue and profitability growth rates or projected improvement, our operating performance may be adversely affected and the expectations for our market performance may not be met. Any failure to meet the market' s expectations for our revenue and operating results may have an adverse effect on the market price of our Common Stock. Risks Related to Customers and Distributors We provide services to several customers which contribute significantly, on an individual as well as an aggregate basis, to our total revenues. Genesis contributed 10. **9 %, 10.** 0 % ~~,~~ **and** 10. 8 ~~% and 14. 7~~ % of our total consolidated revenues for the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively ~~. Genesis commenced a restructuring effort in 2020 that continued in 2022. As part of Genesis' restructuring effort, during 2021, the Company and Genesis reached an agreement in principle to modify pricing through December 2021 (at which time the original pricing terms resumed) and payment terms through December 2022, at which point the original payment terms would resume. The agreement was executed in 2022. Genesis remains largely compliant with the terms of the agreement as the parties continue discussions regarding a long- term contract structure~~ . As of December 31, ~~2022~~ **2023** , the **Genesis** ~~Company had~~ outstanding accounts receivable and notes receivable ~~of~~ **were** $ ~~36~~ **61** . ~~2~~ **8** million and $ 20. 4 million, respectively ~~, from Genesis~~ . Although we expect to continue the relationship with Genesis, there can be no assurance thereof. Revenues generated from Genesis were included in both operating segments. Any extended discontinuance of revenues, or significant reduction, from this customer could, if not replaced, have a material impact on our operations. In addition, if Genesis fails to abide by current payment terms it could increase our accounts receivable balance and have a material adverse effect on our financial condition, results of operations, and cash flows. No other single customer or customer group represented more than 10 % of consolidated revenues for the years ended December 31, **2023,** 2022, **and** 2021 ~~, and 2020~~ . Our customers are concentrated in the healthcare industry, which is subject to changes in government regulation. Many of our customers rely on reimbursement from Medicare, Medicaid and other third- party payors. Rates from such payors may be altered or reduced, thus affecting our customers' results of operations and cash flows. We provide our services primarily to providers of long- term and post- acute care. We cannot predict what efforts, and to what extent, legislation and proposals to contain healthcare costs will ultimately impact our customers' revenues through reimbursement rate modifications. Congress has enacted a number of laws during the past decade that have significantly altered, and may continue to alter, overall government reimbursement for nursing home services and the long- term care industry. Because many of our customers' revenues are highly reliant on Medicare, Medicaid and other third- party payors' reimbursement funding rates and mechanisms, the overall effect of these laws and trends in the long- term care industry have affected and could adversely affect our customers' cash flows, and their ability to make payments to us on agreed upon payment terms. These factors, in addition to delays in payments from customers have resulted in, and could continue to result in, significant additional bad debts. The Company has substantial investment in the creditworthiness and financial condition of our customers. The largest current asset on our balance sheet is the accounts and notes receivable balance from our customers. We grant credit to substantially all of our customers. Deterioration in the financial condition of a significant component of our customer base could hinder our ability to collect amounts due from our customers. Potential causes of such declines include national or local economic downturns, **reduced** ~~COVID- 19' s impact on~~ census ~~and~~ **, increased** operating costs, customers' dependence on continued Medicare and Medicaid funding and the impact of additional regulatory actions and / or insufficient funding. We have sometimes extended the period of payment for certain customers beyond contractual terms. Such customers include those who have terminated service agreements and slow payers experiencing financial difficulties. In order to provide for such collection issues and the general risk associated with the granting of credit terms, we have recorded bad debt provisions (in an Allowance for Doubtful Accounts) of $ ~~32~~ **35** . ~~0~~ **6** million for the year ended December 31, ~~2022~~ **2023** as compared to $ **32. 0 million and $** 10. 5 ~~million and $ 9. 6~~ million for the years ended December 31, **2022 and** 2021 ~~and 2020~~ , respectively. In making our credit evaluations, in addition to analyzing and anticipating, where possible, the specific cases described above, we consider the general collection risk associated with trends in the long- term care industry. We establish credit limits through our payment terms, perform ongoing credit evaluations and monitor accounts to minimize the risk of credit loss. Despite our efforts to minimize credit risk exposure, customers could be adversely affected if future industry trends change in such a manner as to negatively impact their cash flows. If our customers experience a negative impact on their cash flows, it could have a material adverse effect on our financial condition, results of operations ~~,~~ and cash flows. A significant majority of our customer base are multi- facility management groups and independent facility operators who lease the buildings in which they operate and may experience risks relating to their leases including termination, escalators, extensions and special charges. The creditworthiness of our existing customers, and potential customers, is impacted by their ability to maintain positive relationships with their respective landlords. Any loss or deterioration in the relationship between our customers and their respective landlords may adversely affect their financial condition and ability to make payments on their service agreement with us on agreed upon terms. Any failure by our customers to make rent payments or comply with the provisions of their lease terms could result in the termination of such lease agreements. In such cases, our customers may lose their ability to continue conducting operations and as a result terminate their service agreements with us. For the year ended December 31, ~~2022~~ **2023** , one distributor distributed more than 50 % of our food and non- food dining supplies, and if our relationship or their business were to be disrupted, we could experience disruptions to our operations and cost structure. Although we negotiate the pricing and other terms for the majority of our purchases of food and dining supplies directly with national manufacturers, we procure these products and other items through Sysco Corporation (" Sysco "). Sysco ~~,~~ is responsible for tracking our orders and delivering products to our specific locations. If our relationship with, or the business of, Sysco were to be disrupted, we would have to arrange alternative distributors and our operations and cost structure could be adversely affected. Risks Related to Operating Our Business We have a Paid Loss Retrospective Insurance Plan for general liability and workers' compensation insurance. We carry a high deductible general liability and workers' compensation program and therefore retain a substantial portion of the risk associated with the possible losses under such programs. Under our insurance plans for general liability and workers' compensation, predetermined loss limits are arranged with our insurance company to limit both our per occurrence cash outlay and annual insurance plan cost. We regularly evaluate our claims pay- out experience and other factors related to the nature of specific claims in arriving at the basis for our accrued insurance claims estimate. Our evaluation is based primarily on current information derived from reviewing our claims experience and industry trends. In the event that our known claims experience and / or industry trends result in an unfavorable change in initial estimates of costs to settle such claims resulting from, among other factors, the severity levels of reported claims and medical cost inflation, it would have an adverse effect on our consolidated results of operations, financial condition and cash flows. Although we engage third- party experts to assist us in estimating appropriate reserves, the determination of the required reserves is dependent upon significant actuarial judgments. Changes in our insurance reserves as a result of our periodic evaluation of the related liabilities may cause significant fluctuations in our ~~operating~~ **consolidated** results **of operations** . We primarily provide our services pursuant to agreements which have a one year **service** term, cancellable by either party upon 30 to 90 days' notice after an initial 60 to 120 day service agreement period. We typically do not enter into long- term contractual agreements with our customers for the rendering of our services. Our agreements with customers typically provide for a renewable one year service term, cancellable by either party upon 30 to 90 days' notice after an initial period of 60 to 120 days. Consequently, our customers can often unilaterally decrease the amount of services we provide or terminate all services pursuant to the terms of our service agreements. Although we have historically had a favorable customer retention rate and expect to continue to maintain satisfactory relationships with our customers, in the event the Company were to lose a significant number of customers, such loss could in the aggregate materially adversely affect our consolidated results of operations and financial position. The Company' s business success depends on the management experience of our key personnel. We manage and provide our services through a network of management personnel, from on- site facility managers to our executive officers. Therefore, we believe that our ability to recruit and sustain the internal development of managerial personnel is an important factor impacting future operating results and our ability to successfully execute projected growth strategies. Our professional management personnel are the key personnel in maintaining current and selling additional services to existing customers and obtaining new customers. Any perceived or real health risks related to the food industry could adversely affect our Dietary segment. We are subject to risks affecting the food industry generally including food spoilage and food contamination. Products we purchase and utilize in production are susceptible to contamination by disease- producing organisms, or pathogens, such as listeria monocytogenes, salmonella, campylobacter, hepatitis A, trichinosis and generic E. coli. Because these pathogens are generally found in the environment, there is a risk that these pathogens could be introduced to our products as a result of improper handling at the manufacturing, processing or food service level. Our suppliers' manufacturing facilities and products are subject to extensive laws and regulations relating to health, food preparation, sanitation and safety standards. Difficulties or failures by these companies in obtaining any required licenses or approvals or otherwise complying with such laws and regulations could disrupt their operations which could adversely affect our operations. Furthermore, there can be no assurance that compliance with governmental regulations by our suppliers will eliminate the risks related to food safety. To the extent there is an outbreak of food related illness in any of our customer facilities, it could materially harm our business, **consolidated** results of operations and financial condition. Additionally, the Company may be subject to liability if the consumption of our food products causes injury, illness or death. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused injury or illness could adversely affect our reputation. ~~Failure to maintain effective~~ **We have identified a material weakness in our** internal control over financial reporting **, and if our remediation of such material weakness is not effective, or if we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations** could **be impaired. During 2023, the Company identified a material weakness related to the design and operation of internal controls over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. In the course of preparing our consolidated financial statements as of and for the year ended December 31, 2023, we identified a material weakness related to accrued payroll liabilities from employee vested vacation. Our controls over accrued payroll liabilities were not sufficiently designed to consider all accounting and disclosure ramifications of such accrued payroll liabilities. This material weakness resulted in immaterial misstatements in our 2022 and 2021 financial statements related to the accounting for accrued vacation, which was corrected prior to issuance of the Company' s 2023 financial statements. Furthermore, there is a possibility that material misstatements to the Company' s future annual or interim financial statements will not be prevented or detected in a timely basis as a result of the identified material weakness. To address our material weakness, we** have ~~a~~ **made changes to our controls as set forth in Part II, Item 9A " Controls and Procedures. " Unless otherwise described in Part II, Item 9A " Controls and Procedures ", we will not be able to fully remediate the** material ~~adverse effect on our ability to report our financial results on~~ **weakness until these steps have been completed and have been operating effectively for** a **sufficient period of** ~~timely~~ -- **time** ~~and accurate basis~~. Failure to maintain appropriate and effective internal controls over our financial reporting could result in misstatements in our financial statements and potentially subject us to sanctions or investigations by the SEC or other regulatory authorities ~~,~~ and could cause us to delay the filing of required reports with the SEC and our reporting of financial results. Any of these events could result in a decline in the market price of our Common Stock. Although we have taken steps to maintain our internal control structure as required **, including steps to remediate our material weakness** , we cannot guarantee that a control deficiency will not result in a misstatement in the future. Our business could be negatively affected as a result of actions of activist shareholders, and such activism could impact the trading value of our securities. Shareholders may, from time to time, engage in proxy solicitations or advance shareholder proposals, or otherwise attempt to effect changes and assert influence on our Board of Directors and management. Activist campaigns that contest or conflict with our strategic direction or seek changes in the composition of our Board of Directors could have an adverse effect on our operating results and financial condition. A proxy contest would require us to incur significant legal and advisory fees, proxy solicitation expenses and administrative and associated costs and require significant time and attention by our Board of Directors and management, diverting their attention from the pursuit of our business strategy. Any perceived uncertainties as to our future direction and control, our ability to execute on our strategy, or changes to the composition of our Board of Directors or senior management team arising from a proxy contest could lead to the perception of a change in the direction of our business or instability which may result in the loss of potential business opportunities, make it more difficult to pursue our strategic initiatives, or limit our ability to attract and retain qualified personnel and business partners, any of which could adversely affect our business and operating results. If individuals are ultimately elected to our Board of Directors with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our shareholders. We may choose to initiate, or may become subject to, litigation as a result of a proxy contest or matters arising from a proxy contest, which would serve as a further distraction to our Board of Directors and management and would require us to incur significant additional costs. In addition, actions such as those described above could cause significant fluctuations in our stock price based upon temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business. Risks Related to Governmental and Regulatory Changes Changes to federal healthcare legislation may adversely affect our operating costs and results of operations. Continued changes to the health insurance industry and its obligations on employers could impact our operating costs. Any requirements to provide additional benefits to our employees **,** or the payment of penalties if such benefits are not provided, would increase our expenses. If we are unable to pass- through these charges to our customers to cover these expenses, such increases could adversely impact our operating costs and our **consolidated** results of operations. In addition, often new regulations result in additional reporting requirements for businesses. These and other requirements could result in increased costs, expanded liability exposure ~~,~~ and other changes in the way we provide healthcare insurance and other benefits to our employees. States in which our customers are located could experience significant budget deficits and such deficits may result in reduction of reimbursements to nursing homes. States in which our customers are located could have budget deficits as a result of lower than projected revenue collections and increased demand for the funding of entitlements. As a result of these and other adverse economic factors, state Medicaid programs have and may revise reimbursement structures for nursing home services. Any disruption or delay in the distribution of Medicaid and related payments to our customers will adversely affect their cash flows and impact their ability to pay us as agreed upon for the services provided. Governmental regulations related to labor, employment, immigration and health and safety could adversely impact our results of operations and financial condition. Our business is subject to various federal, state, and local laws and regulations in areas such as labor, employment, immigration, and health and safety. These laws frequently evolve through case law, legislative changes and changes in regulatory interpretation, implementation and enforcement. Our policies and procedures and compliance programs are subject to adjustments in response to these changing regulatory and enforcement environments, which could increase our ~~cost~~ **costs** of services provided. Although we have contractual rights to pass through cost increases we incur to our customers due to regulatory changes, our delay in, or inability to pass such costs through to our customers, could have a material adverse effect on our financial condition, **consolidated** results of operations and cash flows. In addition, if we fail to comply with applicable laws, we may be subject to lawsuits, investigations, criminal sanctions or civil remedies, including fines, penalties, damages, reimbursements ~~,~~ or injunctions. Also, our customers' facilities are subject to periodic inspection by federal, state ~~,~~ and local authorities for compliance with state and local departments of health requirements. Expenses resulting from failed inspections of the departments that we service could result in our customers being fined and seeking recovery from us, which could also adversely impact our financial condition, **consolidated** results of operations ~~,~~ and cash flows. Federal, state and local tax rules can adversely impact our results of operations and financial position. We are subject to federal, state and local taxes in the United States. Significant judgment is required in determining the provision for income taxes. We believe our income tax estimates are reasonable, but such estimates assume no changes in current tax rates. In addition, if the Internal Revenue Service or other taxing authority disagrees on a tax position we have taken and upon final adjudication we are required to change such position, we could incur additional tax liability, including interest and penalties. Such costs and expenses could have a material adverse impact on our financial condition, **consolidated** results of operations ~~,~~ and cash flows. Additionally, the taxability of our services is subject to various interpretations within the taxing jurisdictions in which we operate. Consequently, in the ordinary course of business, a jurisdiction may contest our reporting positions with respect to the application of its tax code to our services. A conflicting position taken by a state or local taxation authority on the taxability of our services could result in additional tax liabilities and could negatively impact our competitive position in that jurisdiction. If we fail to comply with applicable tax laws and regulations, we could suffer civil or criminal penalties in addition to the delinquent tax assessment. In the taxing jurisdictions where our services have been determined to be subject to tax, the jurisdiction may increase the tax rate assessed on such services. We seek to pass ~~-~~through to our customers such tax increases. In the event we are not able to pass ~~-~~ through any portion of the tax increase, our ~~results of operations,~~ financial condition **, consolidated results of operations** and cash flows could be adversely impacted. Our business and financial results could be adversely affected by unfavorable results of material litigation or governmental inquiries. We are currently involved in pending civil litigation and government inquiries which arise in the ordinary course of business. These matters relate to, among other things, general liability, payroll or employee- related matters. Legal actions could result in substantial monetary damages and expenses and may adversely affect our reputation and business status with our customers, whether or not we are ultimately determined to be liable. The outcome of litigation, particularly class action and collective action lawsuits and regulatory actions, is difficult to assess or quantify. The plaintiffs in these types of actions may seek recovery of very large or indeterminate amounts, and estimates may remain unknown for substantial periods of time. While the Company is vigorously defending against all litigation claims asserted, litigation could result in substantial costs to the Company and a diversion of the Company' s management' s attention and resources, which could harm its business. In addition, the uncertainty of pending lawsuits or potential filing of additional lawsuits could lead to more volatility and a reduction in the Company' s stock price. We assess contingencies to determine the degree of probability and range of possible loss for potential accrual in our financial statements. We would accrue an estimated loss contingency in our financial statements if it were probable that a liability had been incurred and the amount of the loss could be reasonably estimated. Due to the unpredictable nature of litigation, assessing contingencies is highly subjective and requires judgments about future events. The amount of actual losses may differ from our current assessment. As a result of the costs and expenses of defending ourselves against lawsuits or claims, and risks and consequences of legal actions, regardless of merit, our **consolidated** results of operations and financial position could be adversely affected or cause variability in our results compared to expectations. Risks Related to Cybersecurity and Data Privacy Cyber- attacks and breaches could cause operational disruptions, fraud or theft of sensitive information. Aspects of our operations are reliant upon internet- based activities, such as ordering supplies and back- office functions such as accounting and transaction processing, making and accepting payments, processing payroll and other administrative functions. A significant disruption or failure of our information technology systems may have a significant impact on our operations, potentially resulting in service interruptions, security violations, regulatory compliance failures and other operational difficulties. In addition, any attack perpetrated against our information systems including through a system failure, security breach or disruption by malware or other damage, could similarly impact our operations and result in loss or misuse of information, litigation and potential liability. Although we have taken steps intended to mitigate the risks presented by potential cyber incidents, it is not possible to protect against every potential power loss, telecommunications failure, cybersecurity attack or similar event that may arise. Moreover, the safeguards we use are subject to human implementation and maintenance and to other uncertainties. Any of these cyber incidents may result in a violation of applicable laws or regulations (including privacy and other laws), damage our reputation, cause a loss of customers and give rise to monetary fines and other penalties, which all could have an adverse effect on our financial condition, results of operations, and liquidity.