Risk Factors Comparison 2024-03-08 to 2023-03-16 Form: 10-K

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Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this Form 10- K, including our consolidated financial statements and the related notes and " Management' s Discussion and Analysis of Financial Condition and Results of Operations, " before deciding whether to invest in shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations and prospects could be adversely affected. In this case, the trading price of our common stock could decline and you might lose part or all your investment. Risks Related to Our Business, Our Brand, Our Products and Our Industry Our past growth may not be indicative of our future growth and we may not be able to effectively manage our future growth or evaluate our future prospects. If we fail to effectively manage our future growth or evaluate our future prospects, our business could be adversely affected. Past growth has placed demands on our management, financial, operational, technological and other resources. The anticipated growth and expansion of our business depends on a number of factors, including our ability to: • increase awareness of our brand and successfully compete with other companies; • effectively market our products through Honest. com and retail partnerships to increase sales velocity; • price our products effectively so that we are able to attract new consumers and expand sales to our existing consumers; • expand distribution and points of sales (the number of SKUs) with new and existing consumers; • continue to innovate and introduce new products; • maintain and improve our technology platform supporting our Honest. com business; • expand our supplier and fulfillment capacities; • maintain quality control over our product offerings; **and** • effectively implement our business strategies ~~, including our digital strategy; and • expand internationally~~ . Such growth and expansion of our business will place significant demands on our management and operations teams and require significant additional resources, financial and otherwise, to meet our needs, which may not be available in a cost- effective manner, or at all. We expect to continue to expend substantial resources on: • our sales and marketing efforts to increase brand awareness, further engaging our existing and prospective consumers, and driving sales of our products; • technology platforms to support sales of our products and make our supply chain and operations more efficient; • product innovation and development; and • general administration, including increased finance, legal and accounting expenses associated with being a public company. These investments may not result in the growth of our business. Even if these investments do result in the growth of our business, if we do not effectively manage our growth ~~,~~ we may not be able to execute on our business plan, respond to competitive pressures, take advantage of market opportunities, satisfy consumer requirements or maintain high- quality product offerings, any of which could adversely affect our business, financial condition, results of operations and prospects. You should not rely on our historical rate of revenue growth as an indication of our future performance or the rate of growth we may experience in any new category ~~or internationally~~ . In addition, to support continued growth, we must effectively integrate, develop and motivate a large number of new employees while maintaining our corporate culture. For example, in January 2023, we hired a new Chief Executive Officer **, in May 2023 we hired a Chief Growth Officer, a newly created role, and in September 2023, we hired a new Chief Financial Officer** . We face significant competition for personnel. To attract top talent, we have had to offer, and expect to continue to offer, competitive compensation and benefits packages before we can validate the productivity of new employees. We may also need to increase our employee compensation levels to remain competitive in attracting and retaining talented employees. In the past **few** ~~year~~ **years** we have also seen heightened demand for labor and escalating labor prices in the market. The risks associated with a rapidly growing workforce will be particularly acute as we ~~choose to~~ expand into new product categories ~~and global markets~~ . Additionally, we may not be able to hire new employees quickly enough to meet our needs or retain our existing employees in the face of competitive hiring trends ~~. For example, we had turnover in our Accounting department in 2022~~ . If we fail to effectively manage our hiring needs, successfully integrate new hires or retain existing employees, our efficiency, ability to meet forecasts and employee morale, productivity and retention could suffer, which could have an adverse effect on our business, financial condition, results of operations and prospects. We are also required to manage numerous relationships with various vendors and other third parties. Further growth of our operations, vendor base, fulfillment centers, information technology systems or internal controls and procedures may not be adequate to support our operations. If we are unable to manage the growth of our organization effectively, our business, financial condition, results of operations and prospects may be adversely affected. Our quarterly operating results may fluctuate, which could cause our stock price to decline. Our quarterly operating results may fluctuate for a variety of reasons, many of which are beyond our control, including: • fluctuations in revenue due to consumer and customer demand, including as a result of adverse economic and market conditions driven by the challenging macroeconomic environment ~~and the COVID- 19 pandemic~~ , the seasonality of market transactions and fluctuations in sales through our Retail and Digital channels and inflationary pressures; • inflation in key input costs, including transportation **, labor** and warehouse costs; • increased costs of the components and raw materials that go into making our products; • the amount and timing of our operating expenses; • our success in attracting new and maintaining relationships with existing retail and ecommerce partners **, as well as any price concessions they may demand or promotional activities they participate in** ; • our success in executing on our strategy and the impact of any changes in our strategy; • the timing and success of product launches, including new products that we may introduce ~~, such as the launch of our Skin clearing line in the third quarter of 2022~~ ; • the efficiency of our marketing efforts; • disruptions in our supply chain, the ability of our third- party manufacturers to produce our products, ability of our distributors to distribute our products, or disruptions, delays, or increased costs in our shipping arrangements; • disruptions or defects in our technology platform, such as privacy or data security breaches, errors in our software or other incidents that impact the availability, reliability, or performance of our platform; • the impact of competitive developments and our response to those developments; • fluctuations in inventory and working capital; • our ability to manage our business and future growth; and • our ability to recruit and retain employees. Fluctuations in our quarterly operating results and the price of our common stock may be particularly pronounced in the current economic environment due to the uncertainty caused by inflation and other macroeconomic factors ~~, the continuing effects of the COVID- 19 pandemic,~~ and consumer and customer spending patterns. Fluctuations in our quarterly operating results may cause those results to fall below our financial guidance or other projections, or the expectations of analysts or investors, which could cause the price of our common stock to decline. Fluctuations in our results could also cause other problems, including, for example, analysts or investors changing their models for valuing our common stock. We could experience short- term liquidity issues, our ability to retain or attract key personnel may diminish, and other unanticipated issues may arise. Our quarterly operating results have varied in the past and we believe that they will **continue to** vary in the future and that period- to- period comparisons of our operating results may not be meaningful ~~. For example, our overall historical growth rate and the impacts of the COVID- 19 pandemic may have overshadowed the effect of seasonal variations on our historical operating results~~ . Any seasonal effects may change or become more pronounced over time, which could also cause our operating results to fluctuate. You should not rely on the results of any given quarter as an indication of future performance. Our future success depends, in part, on our ability to achieve our long- term strategy. Achieving our long- term strategy will require investment in new capabilities, employees, products, distribution channels, supply chain facilities and technologies. These investments may result in short- term costs without any current sales and, therefore, may be dilutive to our earnings. In addition, we have in the past and may in the future dispose of or discontinue select products or streamline operations and incur costs or restructuring and other charges in doing so. **For example, during the year ended December 31, 2023 we exited certain retail and online stores in unprofitable geographical locations, in Asia and Europe, and we incurred restructuring costs in connection with the Transformation Initiative of approximately $ 2. 2 million. We are currently working on updating our strategic focus, which could impact our business and results of operations.** Although we believe that our **updated** strategy will lead to long- term growth in sales and profitability, we may not realize the anticipated benefits. The failure to realize benefits, which may be due to our inability to execute plans, global or local economic conditions, competition, changes in our industry and the other risks described herein, could have an adverse effect on our business, financial condition, results of operations and prospects ~~. Additionally, with the hiring of our new Chief Executive Officer, our strategy may change or develop over time, which may not lead to long- term growth in sales or profitability, or we may experience disruptions in implementing a new strategic focus, which could impact our business and results of operations~~ . Consolidation of retail customers, the loss of a significant retail or third- party ecommerce customer or a significant change in such customer' s historical purchasing patterns **has in the past and** could **in the future** negatively impact our sales and ability to achieve or maintain profitability. Our omnichannel strategy includes selling our products through third- party ecommerce and retail customers (including their websites), which have been undergoing consolidation in recent years. This consolidation has produced larger, more sophisticated organizations with increased negotiating and buying power that are able to resist price increases, demand higher levels of marketing and promotional support, operate with lower inventories, decrease the number of brands that they carry and increase their emphasis on private label products, all of which **has in the past and** could **in the future** negatively impact our business. In ~~2022~~ **2023** , we generated ~~55~~ **51** % and ~~45~~ **49** % of our total revenue from retail customers (including their websites) and Digital channels, respectively. In ~~2022~~ **2023** , Target, Amazon and Walmart accounted for approximately 31 %, ~~19~~ **30** % and ~~4~~ **7** % of our total revenue, respectively. We sell products to Target, Amazon and Walmart under each of their standard vendor agreements. Our vendor agreements with Target, Amazon and Walmart do not include a term or duration as sales under each vendor agreement are generally made on a purchase order basis. Our vendor agreement with Amazon provides that either party may terminate the agreement with 60 days' prior written notice, provided that we are required to fulfill any purchase orders that we accept before the effective date of termination **and our vendor agreement with Walmart provides that either party may terminate the agreement with 30 days' prior written notice** . Our vendor agreement with Target does not include any termination provisions. ~~Our vendor agreement with Walmart provides that either party may terminate the agreement with 30 days' prior written notice.~~ The loss of Target, Amazon and Walmart or any other large customer, the reduction of purchasing levels or the cancellation of any business from Target, Amazon ~~and~~ **or** Walmart or any other large customer for an extended length of time could negatively impact our sales and ability to achieve or maintain profitability. For example, in 2022 ~~Target implemented a new inventory management system to decrease weeks of supply on hand. Additionally~~ , Amazon **held** ~~is holding~~ fewer weeks of inventory supply on hand, which ~~could impact~~ **impacted** the consumer experience and ultimate consumption, and has and could ~~continue to~~ **in the future** negatively impact our results of operations ~~. Also, there is significant volatility in our programs with Costco which resulted in a $ 10. 0 million reduction in our revenue in 2022. We have no assurance of future rotational programs or ongoing revenue with Costco~~ . Third- party ecommerce or retail customers may take actions that affect us for reasons that we cannot always anticipate or control, such as their financial condition, changes in their business strategy or operations, the introduction of competing products or the perceived quality of our products. For example, ~~one~~ **a few** of our retail customers **filed for** ~~is at risk of~~ bankruptcy **over the last year** , which ~~could~~ **has** ~~impact~~ **impacted** the timing of payment **,** ~~and / or~~ the ability for us to collect amounts due to us **and impacted our gross margin due to markdowns** . Despite operating in different channel ~~segments~~ **categories** , our third- party ecommerce and retail customers sometimes compete for the same consumers. Because of actual or perceived conflicts resulting from this competition, third- party ecommerce or retail customers may take actions that negatively affect us. Consequently, our financial results may fluctuate significantly from period to period based on the actions of one or more significant third- party ecommerce or retail customers, such as a change in quantity or number of SKUs purchased, store placement of our products, or amount of shelf space. We may be unable to accurately forecast revenue, gross margin or operating expenses and appropriately plan our expenses in the future. Revenue and results of operations are difficult to forecast because they generally depend on the volume, timing and type of orders we receive across our various channels, all of which are uncertain. Forecasts have been and may continue to be particularly challenging in the current macroeconomic environment ~~or due to the COVID- 19 pandemic~~, in particular as we ~~implement~~ **implemented** margin- enhancing and cost- cutting **programs as part of our Transformation Initiative in 2023 and may in the future implement similar** programs. We base our expense levels and investment plans on our estimates of revenue and gross margin. We cannot be sure prior growth rates and trends are meaningful predictors of future growth. For example, in the third quarter of 2022, some of our digital and retail customers ~~began to reduce~~ **reduced** inventory on hand and ~~have~~ changed **their** fulfillment schedules, which ~~has~~ negatively impacted our fulfillment operations ~~and our revenue and is expected to continue to do so~~ in **2022** ~~the future~~. If our assumptions prove to be wrong, we may generate lower revenue or gross margin than anticipated or may spend more than we anticipate acquiring and retaining consumers ~~or~~ either of which could have an adverse effect on our business, financial condition, results of operations and prospects. We may not be able to compete successfully in our highly competitive market. The markets in which we operate are highly competitive and rapidly evolving, with many new brands and product offerings emerging in the marketplace. We face significant competition from both established, well- known legacy CPG players and emerging natural brands. Numerous brands and products compete for limited shelf space in the retail channel, and for favorable positioning and promotion among ecommerce channels. We compete based on various product attributes including clean formulation, sustainability, effectiveness and design, as well as our ability to establish direct relationships with our consumers through digital channels. Select competitors in the Diapers and Wipes market include Kimberly- Clark Corporation (maker of Huggies), Procter & Gamble Company (maker of Pampers, Pampers Pure and Luvs), ~~Johnson & Johnson Consumer Inc. (maker of Johnson' s Baby),~~ WaterWipes UC and private label brands. Select competitors in the Skin and Personal Care market include **Kenvue** ~~Johnson & Johnson Consumer~~ Inc. (maker of Johnson' s Baby and Aveeno), The Clorox Company (parent company of Burt' s Bees, Inc.), Unilever PLC (maker of Shea Moisture), LVMH Moët Hennessy Louis Vuitton (maker of Benefit Cosmetics LLC), Estée Lauder Inc., L' Oréal S. A. and Pacifica Beauty LLC. Select competitors in the Household and Wellness market include Carters, Inc., The Clorox Company, Reckitt Benckiser Group plc (maker of Lysol) and Unilever PLC (maker of Seventh Generation products). Many of these competitors have substantially greater financial and other resources than us and some of whose products are well accepted in the marketplace today. Many also have longer operating histories, larger fulfillment infrastructures, greater technical capabilities, faster shipping times, lower- cost shipping, lower operating costs, greater financial, marketing, institutional and other resources and larger consumer bases than we do. These factors may also allow our competitors to derive greater revenue and profits from their existing consumer bases, acquire consumers at lower costs or respond more quickly than we can to new or emerging technologies and changes in product trends and consumer shopping behavior. These competitors may engage in more extensive research and development efforts, enter or expand their presence in any or all of the ecommerce or retail channels where we compete, undertake more far- reaching marketing campaigns, and adopt more aggressive pricing policies, which may allow them to build larger consumer bases or generate revenue from their existing consumer bases more effectively than we do. As a result, these competitors may be able to offer comparable or substitute products to consumers at similar or lower costs. This could put pressure on us to lower our prices, resulting in lower revenue and margins or cause us to lose market share even if we lower prices. We cannot be certain that we will successfully compete with larger competitors that have greater financial, sales, technical and other resources. Companies with greater resources may acquire our competitors or launch new products, including clean products, and they may be able to use their resources and scale to respond to competitive pressures and changes in consumer preferences by reducing prices or increasing promotional activities, among other things. Retailers also market competitive products under their own private labels, which are generally sold at lower prices, and may change the merchandising of our products so they have less favorable placement. Competitive pressures or other factors could cause us to lose market share, which may require us to lower prices, increase marketing expenditures, or increase the use of discounting or promotional campaigns, each of which would adversely affect our margins and could result in a decrease in our operating results and ability to achieve or maintain profitability. We expect competition in the CPG industry to continue to increase, especially as more companies introduce clean products and enter this market. We believe that our ability to compete successfully in this market depends upon many factors both within and beyond our control, including: • the size and composition of our consumer base; • the number of products that we offer and feature across our sales channels; • consumer demand for clean products developed with formulations and ingredients we use; • our information technology infrastructure; • the quality and responsiveness of our customer service; • our selling and marketing efforts; • the quality and price of the products that we offer; • the convenience of the shopping experience that we provide on our website; • our ability to distribute our products and manage our operations; and • our reputation and brand strength. If we fail to compete successfully in this market, our business, financial condition, results of operations and prospects could be adversely affected. Further, competitors with substantially greater operations and resources than us may be less affected by the current macroeconomic conditions ~~and the continuing effects of the COVID- 19 pandemic than we are~~. ~~In connection with the COVID- 19 pandemic, we have restricted employee travel, cancelled certain events with consumers or partners, imposed operational safeguards at our fulfillment and operating facilities and limited access to our headquarters (including our laboratory facilities) and experienced certain supply restrictions and delays. These restrictions have changed based on the pandemic development, in particular as there are new variants. Additionally, current~~ **Current** macroeconomic conditions, such as inflation, increasing interest rates, ~~recent~~ **the health of the U. S. consumer (such as increasing debt** and ~~potential future~~ **delinquency rates and resumption of student loan repayments), geopolitical events,** disruptions in access to bank deposits and lending commitments due to bank failures, increase the risk of a potential recession and can negatively impact consumer discretionary spend for our products. Although we are monitoring the situation, we cannot predict for how long, or the ultimate extent to which, the current macroeconomic conditions ~~or the continuing effects of the~~

~~COVID- 19 pandemic~~ may disrupt our operations, or our suppliers' operations, or if we will be required to implement other changes, such as ~~closures of any of our fulfillment or other operating facilities,~~ further price increases or cost savings initiatives **, in addition to the ones already implemented in 2023** . Any significant disruption resulting from ~~this~~ **global pandemics** or similar events on a large scale or over a prolonged period of time could cause significant delays and disruption to our business until we would be able to resume normal business operations or shift to other third- party vendors, negatively affecting our revenue and other financial results, which would adversely affect our business, financial condition, results of operations and prospects. A prolonged disruption of our business could also damage our reputation and brand strength. If we fail to cost- effectively acquire new consumers or retain our existing consumers, our business could be adversely affected. Our sales and profit are dependent upon our ability to expand our existing consumer relationships and acquire new consumers. Our success, and our ability to increase revenue and achieve profitability, depend in part on our ability to cost- effectively acquire new consumers, retain existing consumers and keep existing consumers engaged so that they continue to purchase our products. Our diaper business is also a strategic consumer acquisition tool that fuels growth for baby wipes, personal care, Honest Baby ~~clothing~~ **Clothing ®** and other products. While we intend to continue to invest significantly in sales and marketing to educate consumers about our brand, our values and our products, there is no assurance that these efforts will generate further demand for our products or expand our consumer base. Our ability to attract new consumers and retain our existing consumers will depend on, among other items, the perceived value and quality of our products, consumer demand for clean, sustainable, thoughtfully designed and effective products at a premium **price** , competitive offerings **, the elasticity of our price increases** , our ability to offer new and relevant products and the effectiveness of our marketing efforts. We may also lose loyal consumers to our competitors if we are unable to meet consumer demand in a timely manner. If we are unable to cost- effectively acquire new consumers, retain existing consumers and keep existing consumers engaged, our business, financial condition, results of operations and prospects could be adversely affected. Any strategies we employ to pursue this growth are subject to numerous factors outside of our control. Our retail and ecommerce competitors continue to aggressively market their private label or competitive products, which could reduce demand for our products. The expansion of our business also depends on our ability to increase sales through ecommerce channels and increase breadth and depth of distribution at retail customers. Any growth within our existing distribution channels may also affect our existing consumer relationships and present additional challenges, including those related to pricing strategies. For example throughout ~~2022~~ **2023** , we rolled- out mid- single digit price increases across approximately two- thirds of our product portfolio, including in Diapers and Wipes and Skin and Personal Care categories which **has in 2023 and** may **in the future** negatively impact consumer demand. We plan to take additional price increases in ~~2023 and in~~ the future as needed to offset input cost inflation. Our direct connections to our consumers may become more limited as we expand our non- DTC channels **. Further in 2023, we exited distribution in low- margin channels which negatively impacted Skin and Personal Care revenue** . Additionally, we may need to increase or reallocate spending on marketing and promotional activities, such as temporary price reductions, off- invoice discounts, retailer advertisements, product coupons and other trade activities, and these expenditures are subject to risks, including risks related to consumer acceptance of our efforts ~~. Growing internationally may also increase our marketing spend and will require significant investment~~ . Our failure to obtain new consumers, or expand our business with existing consumers, could have an adverse effect on our business, financial condition, results of operations and prospects. We also use paid and non- paid advertising. Our paid advertising may include search engine marketing, display, paid social media and product placement and traditional advertising, such as direct mail, television, radio and magazine advertising. Our paid advertising significantly increased **the past few years** ~~in 2022 compared to 2021~~ due to industry- wide increases in advertising pricing, which impacted our ability to cost- effectively drive traffic to Honest. com and our digital customers. Our non- paid advertising efforts include search engine optimization, non- paid social media and e- mail marketing. We drive a significant amount of traffic to our website via search engines and, therefore, rely heavily on search engines. Search engines frequently update and change the logic that determines the placement and display of results of a user' s search, such that the purchased or algorithmic placement of links to our website can be negatively affected. Moreover, a search engine could, for competitive or other purposes, alter its search algorithms or results, causing our website to place lower in search query results. We also drive a significant amount of traffic to our website via social networking or other ecommerce channels used by our current and prospective consumers. As social networking and ecommerce channels continue to rapidly evolve, we may be unable to develop or maintain a presence within these channels. If we are unable to cost- effectively drive traffic to our website, or if the popularity of our founder, Jessica Warren' s social media, online or offline presence declines, our ability to acquire new consumers could be adversely affected. Additionally, if we fail to increase our revenue per active consumer, generate repeat purchases or maintain high levels of consumer engagement, our business, financial condition, results of operations and prospects could be adversely affected. Pandemics or disease outbreaks ~~, such as the continuing effects of the COVID- 19 pandemic~~ and overall macroeconomic trends have had and may continue to have an adverse effect on our business, financial condition, results of operations and prospects. Pandemics or disease outbreaks ~~, such as the continuing effects of the COVID- 19 pandemic,~~ have impacted ~~and are likely to continue to impact~~ our business, financial condition, results of operations and prospects, in particular due to the negative impact from supply chain disruptions, increasing commodity costs and shifting consumer demand. ~~In connection with the continuing effects of the COVID- 19 pandemic, governments have implemented significant measures, including closures, quarantines, travel restrictions and other social distancing directives, intended to control the spread of the virus. Companies have also taken precautions, such as requiring employees to work remotely or on a hybrid remote schedule, imposing travel restrictions and temporarily closing businesses. For example, due to new COVID- 19 lockdown restrictions in China in the second quarter of 2022, many of the ports shut down which has negatively impacted our ability to timely receive shipments of certain of our products, such as our wipes or packaging components. As China recently shifted from its" zero- COVID" policy to a" living with COVID" policy by removing mandatory centralized quarantine, compulsory testing and sweeping lockdowns, there has been a surge in COVID cases in China. To the~~

~~extent that additional prevention and mitigation measures are implemented in the future, or there is uncertainty about the effectiveness of these or any other measures to contain the spread of COVID- 19, there has been and continues to be an adverse impact on global economic conditions and consumer confidence and spending, which has adversely affected our supply chain as well as the demand for our products and has impacted our revenue and ability to service our customer orders. For example, the out- of- stock inventory due to supply chain disruptions has been significant on several key items, particularly in our Skin and Personal Care and Diapers and Wipes product categories. While at this time we are working to manage potential disruptions to our supply chain, the fluid nature of the COVID- 19 pandemic and uncertainties regarding the related economic impact, as well as overall macroeconomic trends, are likely to result in sustained market turmoil, which could also have an adverse effect on our business, financial condition, results of operations and prospects.~~ The impact of ~~the COVID- 19 pandemic and~~ overall macroeconomic trends on any of our suppliers, manufacturers, retail or ecommerce customers or transportation or logistics providers has and may continue to negatively affect the price and availability of our raw materials and **products and** impact our supply chain ~~. For example, there has been a supplier shortage or significant demand for and cost impacts to various raw materials used in manufacturing and distributing our products, including post- consumer recycled plastic resin, post- consumer recycled cardboard shipping cartons for our Honest. com shipments, surfactants, fluff pulp and other diaper raw materials~~ . If the disruptions caused by **overall** ~~the COVID- 19 pandemic or~~ macroeconomic trends continue for an extended period of time, our ability to meet the demands of our consumers may be materially impacted. **The** ~~For example, government restrictions have limited and may in the future limit the personnel available to receive or ship products at our distribution centers. In addition, the~~ conditions caused by **macroeconomic conditions** ~~the COVID- 19 pandemic~~ may negatively impact collections of accounts receivable (including as a result of retail customer ~~bankruptcy~~ **bankruptcies**), result in reduced orders from retail or digital partners or cause some of our retail customers to go out of business, all of which could adversely affect our business, financial condition, results of operations and prospects. ~~Also~~ **For example** , **a few** ~~in the third quarter~~ of ~~2022, some of~~ our ~~digital and~~ retail customers **filed for bankruptcy over the last year** ~~began to reduce inventory on hand and have changed fulfillment schedules~~ , which has ~~negatively~~ impacted ~~our fulfillment operations and our revenue and is expected to continue to do so in~~ the **timing** ~~future. For example, Target implemented a new inventory management system to decrease weeks~~ of ~~supply on~~ **payment, the ability for us to collect amounts due to us** ~~hand~~ - **and** ~~. Additionally, since 2021 Amazon has been holding fewer weeks of inventory supply on hand, which could impact~~ **impacted** ~~the consumer experience and ultimate consumption, and has and could continue to negatively impact~~ our ~~results of operations~~ **gross margin due to markdowns** . In addition, any depression or recession resulting from **macroeconomic** ~~the COVID- 19 pandemic or other~~ factors ~~have~~ **could** ~~changed~~ - **change** customer and consumer behavior and demand, including with respect to our products, which could have an adverse effect on our business, financial condition, results of operations and prospects. For example, economic conditions, including inflationary pressures such as price increases in commodity prices, labor costs, input costs and transportation costs have impacted our gross margin and could impact consumer spending decisions to choose lower priced products, particularly as a result of our price increases **implemented in 2022 and 2023** intended to offset these input costs. We may not be able to increase our prices or productivity sufficiently enough to offset these costs. **For example,** ~~Our Digital channel has been negatively impacted in recent periods~~ as ~~consumers return to in~~ **part of our Transformation Initiative, we exited low** - ~~store shopping~~ **margin elements of the cleaning** and **sanitization** ~~our Retail channel may be impacted if governments were to implement regional~~ business **as** ~~closures, quarantines, travel restrictions and other~~ - **the demand** ~~social distancing directives to slow the spread of the COVID- 19 virus. Further, to the extent our third- party ecommerce or~~ **for sanitizing and disinfecting products declined significantly after** ~~retail customers' operations are negatively impacted by~~ the COVID- 19 pandemic ~~or other macroeconomic trends, our consumers may reduce demand for or spending on our products, or consumers or ecommerce or retail customers may delay payments to us or request payment or other concessions. There may also be significant reductions or volatility in consumer demand for our products due to travel restrictions or social distancing directives, as well as the temporary inability of consumers to purchase our products due to illness, quarantine or financial hardship, shifts in demand away from one or more of our products, decreased consumer confidence and spending or pantry- loading activity, any of which may negatively impact our business, including as a result of an increased difficulty in planning for operations. For example, based on macro Household and Wellness trends, consumer demand for sanitizing and disinfecting products has decelerated at a more rapid than expected rate as more consumers have become vaccinated and retailers continue to manage heavy inventories of sanitization and disinfecting products in stores. Given the significant decline in consumer demand for sanitizing and disinfecting products, we recorded an inventory write- down, inclusive of overhead costs and tariffs, of $ 4. 3 million and $ 5. 6 million, during the years ended December 31, 2022 and 2021, respectively, relating to certain sanitization and disinfecting products as the amount of inventory was significantly in excess of existing and projected demand, and we may record inventory write- downs in the future. Additionally, we may be unable to effectively modify our trade promotion and advertising activities to reflect changing consumer viewing and shopping habits due to event cancellations, reduced in- store visits and travel restrictions, among other things~~ . The ~~extent of the COVID- 19 pandemic' s effect on our operational and financial performance will depend on future developments, including the duration and intensity of the COVID- 19 pandemic and the impact of any new variants of COVID- 19, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. Additionally,~~ current macroeconomic conditions, such as inflation, increasing interest rates, **geopolitical events** and recent and potential future disruption in access to bank deposits and lending commitments due to bank failures, increase the risk of a potential recession and these macroeconomic conditions can negatively impact consumer discretionary spend for our products. ~~External economic conditions have become more challenging and uncertain during fiscal year 2022. As a result, it is not currently possible to ascertain the overall impact of the COVID- 19 pandemic or the challenging macroeconomic conditions on our business. However, if the pandemic continues to persist as a severe worldwide health crisis or the current macroeconomic conditions lead to a recession, this would and the pandemic could continue to have an adverse effect on our business, financial condition, results~~

~~of operations and prospects, and may also have the effect of heightening many of the other risks described in this " Risk Factors " section.~~ Our strategic initiatives **, including as part of the Transformation Initiative,** to reduce our ~~cost~~ **costs** ~~structure~~ could have long- term adverse effects on our business, financial condition, results of operations and prospects, **could result in total costs and expenses that are greater than expected,** and we may not realize the operational or financial benefits from such actions. ~~Our~~ **In 2023, we executed a broad- based Transformation Initiative designed to build the Honest brand and drive growth in higher- margin areas of the portfolio, strengthen our** cost **structure, drive focus on the most productive areas of our business, deliver greater impact from brand** - ~~reduction~~ **building investments, and improve executional excellence across the enterprise. This Transformation** ~~initiatives~~ - **Initiative** ~~, including related to supply chain, marketing and selling, general and administrative expenses~~ and the timing and success of such efforts are subject to many risks and uncertainties, including, without limitation, our ability to reduce costs and achieve positive gross margins; meet certain revenue and operating expense targets; and monetize inventory and manage working capital. ~~As we continue to identify areas of cost savings and operating efficiencies, we may consider implementing further measures to help streamline operations and improve our cost efficiencies, including downsizing or exiting certain operations. For example, we announced the discontinuation of our disinfecting spray in 2022.~~ We may not be successful in ~~implementing these initiatives or~~ realizing our anticipated savings and efficiencies, including as a result of factors beyond our control. In addition, any changes we make to reduce our cost structure, including changes to our products, formulations, or packaging, may result in reduced consumer demand for our products and increased carrying costs. **Our future financial performance will depend, in part, on our ability to effectively manage any future growth or restructuring, as applicable. We may not realize, in full or in part, the anticipated benefits, savings and improvements in our cost structure from the Transformation Initiative due to unforeseen difficulties, delays or unexpected costs.** If we are unable to realize the anticipated savings and efficiencies of our strategic initiatives, **or if they result in unintended consequences, then** our operating and financial results would be adversely affected and could differ materially from our expectations. **Additionally, the Transformation Initiative has resulted in the loss of institutional knowledge and expertise, as well as the reallocation and combination of certain roles and responsibilities across the Company, all of which could adversely affect our operations. These effects could have a material adverse effect on our ability to execute on our updated business model. There can be no assurance that we will be successful in executing the Transformation Initiative. The Transformation Initiative may also be disruptive to our operations. For example, our headcount reductions could yield unanticipated consequences, such as increased difficulties in implementing our business strategy, including retention of our remaining employees, adverse effects on employee morale, diversion of management attention, and adverse effects on our reputation as an employer. Future growth would impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees. Due to our limited resources, we may not be able to effectively manage our operations or recruit and retain qualified personnel, which may result in weaknesses in our infrastructure and operations, risks that we may not be able to comply with legal and regulatory requirements, and loss of employees and reduced productivity among remaining employees.** If we fail to manage our inventory effectively, our business, results of operations, financial condition and liquidity may be materially and adversely affected. Our business requires us to manage a large volume of inventory effectively. We depend on our forecasts of demand for various products to make purchase decisions and to manage our inventory. Demand for products, however, can change significantly between the time inventory or package components are ordered and the date of sale. Demand may be affected by new product launches of our competitors, rapid changes in product cycles and pricing, product defects, promotions, changes in consumer spending patterns, changes in consumer tastes with respect to our products and other factors, ~~and~~ **unseasonable weather conditions, weakening of economic conditions or consumer or customer confidence in future economic conditions, our failure to accurately forecast acceptance for our new products or** our consumers ~~may~~ not ~~purchase~~ **purchasing** products in the quantities that we expect **and unanticipated changes in general market conditions or other factors** . It may be difficult to accurately forecast demand and determine appropriate levels of product. We generally do not have the right to return unsold products to our suppliers. If we fail to manage our inventory effectively or negotiate favorable credit terms with third- party **manufacturers and** suppliers, we may be subject to a heightened risk of inventory obsolescence **, a shortage of product to deliver to our consumers and customers** , a decline in inventory values, and significant inventory write- downs or write- offs ~~. For example, our inventory levels increased from $ 75. 7 million to $ 115. 7 million between the years ended December 31, 2021 and 2022~~ . If we are required to lower sale prices or fund markdowns in order to reduce inventory level or to pay higher prices to our suppliers, our gross margins might be negatively affected. **Inventory levels in excess** ~~In addition, warehouse costs as a percentage~~ of ~~revenue increased from 9 % to 12 % between~~ **consumer or customer demand have resulted and may result in inventory write- downs or write- offs and the sale of excess inventory at discounted prices or in less preferred distribution channels, which could impair our brand image and harm our business. For example, given the significant decline in consumer demand for sanitizing and disinfecting products following the height of the COVID- 19 pandemic, we recorded an inventory write- down of $ 4. 3 million and $ 5. 6 million during** the years ended December 31, **2022 and** 2021 ~~and 2022 related to inefficiencies in warehousing~~ , **respectively, relating** ~~higher labor rates and fulfillment costs due~~ to ~~holding higher levels~~ **certain sanitization and disinfecting products as the amount** of inventory ~~. Any~~ **was significantly in excess** of **existing** ~~the above may materially~~ and ~~as the amount of inventory was significantly in excess of existing and~~ projected demand,and we may record inventory write- downs in the future.In addition,if we underestimate the demand for our products,our third- party manufacturers may not be able to produce products to meet our consumer or customer requirements,and this could result in delays in the shipment of our products and our ability to recognize revenue,lost sales,as well as damage to our reputation and retailer and distributor relationships. **Future** ~~For example,the~~ out- of- stock ~~inventory~~ **disruptions may negatively impact our results of operations,reputation and distributor relationships.The difficulty** in ~~2022 due~~ **forecasting demand also makes it difficult** to **estimate** ~~supply chain~~

~~disruptions has been significant on several key items,particularly in~~ our ~~Skin~~ **future results of operations** and **financial condition from period to period** ~~Personal Care and Diapers and Wipes product categories~~ . ~~While~~ **A failure to accurately predict the level of demand for** our **products could** ~~out- of-~~ adversely affect our business, financial condition **,** and results of operations. Failure to introduce new products may adversely affect our ability to continue to grow. A key element of our growth strategy depends on our ability to develop and market new products that meet our standards for quality and appeal to our consumers. The success of our innovation and product development efforts is affected by our ability to anticipate changes in consumer preferences, the technical capability of our innovation staff, including chemists, **a** ~~toxicologists~~ - **toxicologist** and an eco- toxicologist, developing and testing product formulas and prototypes, our ability to comply with applicable governmental regulations, and the success of our management and sales and marketing teams in introducing and marketing new products. Our product offerings have changed since our launch, which makes it difficult to forecast our future results of operations. Demand for certain product offerings can be volatile ~~. For example, we launched sanitizing and disinfecting products in 2020 in response to significant demand created by the COVID- 19 pandemic. Over the course of 2021 and 2022, as our consumers became vaccinated, the demand for these products declined precipitously~~ . There can be no assurance that demand for our products will be maintained or grow after introduction or that we will successfully develop and market new products that appeal to consumers. For example, product formulas we develop may not contain the product attributes desired by our consumers. Any such failure may lead to a decrease in our growth, sales and ability to achieve profitability, which could adversely affect our business, financial condition, results of operations and prospects. Additionally, the development and introduction of new products requires substantial marketing expenditures, which we may be unable to recoup if new products do not gain widespread market acceptance. If we are unsuccessful in meeting our objectives with respect to new or improved products, our business, financial condition, results of operations and prospects could be adversely affected. We must expend resources to maintain consumer awareness of our brand, build brand loyalty and generate interest in our products. Our marketing strategies and channels will evolve and shifts in our marketing strategies and efforts may or may not be successful. In order to remain competitive and expand and keep market share for our products across our various channels, we may need to increase our marketing and advertising spending to maintain and increase consumer awareness, protect and grow our existing market share or promote new products, which could impact our operating results. Additionally, we may choose to change one of our marketing or advertising partners, which may prove to be unsuccessful. Substantial advertising and promotional expenditures may be required to maintain or improve our brand' s market position or to introduce new products to the market, and we are increasingly engaging with non- traditional media, including consumer outreach through social media and web- based channels, which may not prove successful. An increase in our marketing and advertising efforts may not maintain our current reputation or lead to increased brand awareness. In addition, in 2022 **and 2023** the industry experienced an increased in paid advertising which ~~will further impact~~ **impacted** our ability to cost- effectively drive traffic to Honest. com. Further, social media platforms frequently change the algorithms that determine the ranking and display of results of a user' s search and may make other changes to the way results are displayed, which may negatively affect the placement of our links. Moreover, social media platforms and other digital advertising platforms have increased the costs of digital advertising which has made such marketing less cost effective and partially led us to shift our advertising budget toward our Retail channel, and in turn reduced the number of visits to our website and social media channels. For example, ~~in~~ **since** the ~~third quarter~~ **second half** of 2022, we made a strategic choice to significantly reduce digital media spending in the face of higher advertising costs, which has and may continue to impact our revenue in the digital channel. In addition, social media platforms typically require compliance with their policies and procedures, which may be subject to change or new interpretation with limited ability to negotiate, which could negatively impact our marketing capabilities. We may need to shift our marketing strategy and associated costs and those shifts, including any decrease in marketing spend, may negatively impact our consumer awareness and ultimately our operating results. If we are unable to maintain and promote a favorable perception of our brand and products on a cost- effective basis, our business, financial condition, results of operations and prospects could be adversely affected. Failure to leverage our brand value propositions to compete against private label products, especially during an economic downturn, may adversely affect our ability to achieve or maintain profitability. In many product categories, we compete not only with other widely advertised branded products, but also with private label products that generally are sold at lower prices. Consumers are more likely to purchase our products if they believe that our products provide greater value than less expensive alternatives. If the difference in perceived value between our brand and private label products narrows, or if there is a perception of such a narrowing, consumers may choose not to buy our products at prices that are profitable for us. We believe that in periods of economic uncertainty, such as the current economic uncertainty surrounding the continuing effects of ~~the COVID- 19 pandemic,~~ rising inflation, increasing interest rates, increasing prices of our products, and ~~increasing~~ risk of a recession, consumers may purchase more lower- priced private label or other economy brands. To the extent this occurs, we could experience a reduction in the sales volume of our products or an unfavorable shift in our product mix, which could have an adverse effect on our business, financial condition, results of operations and prospects. If we fail to develop and maintain our brand, our business could suffer. We have developed a strong and trusted brand that has contributed significantly to the success of our business, and we believe our continued success depends on our ability to maintain and grow the value of The Honest Company brand. Maintaining, promoting and positioning our brand and reputation will depend on, among other factors, the success of our product offerings, product safety, quality assurance, marketing and merchandising efforts, our continued focus on delivering clean, sustainable, well- designed, and effective products to our consumers and our ability to provide a consistent, high- quality consumer experience. ~~In addition, in 2019 we entered into a license agreement with Butterblu, LLC, or Butterblu, pursuant to which we licensed certain of our trademarks to Butterblu for the manufacture and distribution of certain baby apparel and other products in exchange for royalties. In August 2022, we terminated the license agreement in advance of its expiration date and entered into a supplier services agreement with Butterblu, pursuant to which Butterblu provides certain design, manufacturing, sales and marketing~~

~~services to us. Butterblu continues to operate and maintain our baby apparel offerings independently through the honestbabyclothing. com website.~~ If ~~Butterblu~~ **our manufacturers or suppliers** ~~fails~~ - **fail** to comply with their contractual obligations, including our quality standards, our brand could be harmed. Any negative publicity, regardless of its accuracy, could have an adverse effect on our business. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of our consumers, suppliers or manufacturers, including changes to our products or packaging, adverse publicity or a governmental investigation, litigation or regulatory enforcement action, could significantly reduce the value of our brand and adversely affect our business, financial condition, results of operations and prospects. Our brand and reputation may be diminished due to real or perceived quality, safety, efficacy or environmental impact issues with our products, which could have an adverse effect on our business, financial condition, results of operations and prospects. We believe our consumers rely on us to provide them with clean, sustainable, well- designed, and effective products. Any loss of confidence on the part of consumers in our products or the ingredients used in our products, whether related to product contamination or product safety or quality failures, actual or perceived, environmental impacts, or inclusion of prohibited ingredients, or ingredients that are perceived to be " toxic ", could tarnish the image of our brand and could cause consumers to choose other products. Allegations of contamination or other adverse effects on product safety or efficacy or suitability for use by a particular consumer or on the environment, even if untrue, may require us to expend significant time and resources responding to such allegations and could, from time to time, result in a recall of a product from any or all of the markets in which the affected product was distributed. Any such issues or recalls could negatively affect our ability to achieve or maintain profitability and brand image. For example, in 2015, multiple class action lawsuits were filed against us claiming that certain of our products, including our sunscreen, were ineffective and were not " natural. " In 2017, we settled these class action lawsuits by agreeing to labeling changes and a $ 7. 4 million settlement fund. In 2016, multiple class action lawsuits were filed against us claiming that we misled buyers about ingredients in our laundry detergent, dish soap and multi- surface cleaner. In 2017, we settled these class action lawsuits by agreeing to marketing or reformulating changes and a settlement fund of $ 1. 6 million. We have also been the subject of litigation claiming our labels contain inaccurate or misleading information. For example, in 2022, a class action lawsuit was filed against us alleging that our plant- based claim on certain wipes products was deceptive to purchasers. In response to similar claims in the past, we have updated the language on certain of our labels. In addition, we voluntarily recalled certain of our baby wipes and baby powder products in 2017 and one of our bubble bath products in January 2021 due to concerns about potential contamination. Despite successfully completing these recalls, these incidents negatively affected our brand image and required significant time and resources to address. We also have no control over our products once purchased by consumers. For example, consumers may store or use our products under conditions and for periods of time inconsistent with approved directions for use or the listed " Period After Opening, " or required warnings or other governmental guidelines on our labels, which may adversely affect the quality and safety of our products. If our products are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet our consumers' expectations, our relationships with consumers could suffer, the appeal of our brand could be diminished, we may need to recall some of our products and / or become subject to regulatory action, and we could lose sales or market share or become subject to boycotts or liability claims. In addition, safety or other defects in our competitors' products or products using the Honest name in other consumer categories, like beverages and pet food in which we do not own the Honest brand, could reduce consumer demand for our own products if consumers view them to be similar. Any such adverse effect could be exacerbated by our market positioning as a purveyor of clean, sustainable, well- designed, and effective products and may significantly reduce our brand value. Issues regarding the safety, efficacy, quality, composition or environmental impact of any of our products, regardless of the cause, may have an adverse effect on our brand, reputation and operating results. Further, the growing use of social and digital media by us, our consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about us, our brand or our products on social or digital media could seriously damage our brand and reputation. Any loss of confidence on the part of consumers in the quality, safety, efficacy or environmental suitability of our products would be difficult and costly to overcome, even if such concerns were based on inaccurate or misleading information. If we do not maintain the favorable perception of our brand, our business, financial condition, results of operations and prospects could be adversely affected. Economic downturns or a change in consumer preferences, perception and spending habits in the clean products categories, in particular, could limit consumer demand for our products and negatively affect our business. We have positioned our brand to capitalize on growing consumer interest in clean conscious products. The clean conscious consumer product industry is sensitive to national and regional economic conditions and the demand for the products that we distribute may be adversely affected from time to time by economic downturns that impact consumer spending, including discretionary spending. Current macroeconomic conditions, such as inflation, increasing interest rates, ~~and recent~~ **geopolitical events** and potential future disruption in access to bank deposits and lending commitments due to bank failures, increase the risk of a potential recession and these macroeconomic conditions can negatively impact consumer discretionary spend for our products. **These** ~~External~~ **external** economic conditions **, including geopolitical uncertainty,** have become more challenging and uncertain ~~during fiscal~~ **in recent** ~~year~~ **years** ~~2022~~ . Current and any future economic conditions such as employment levels, business conditions, housing starts, market volatility, interest rates, inflation rates, energy and fuel costs and tax rates, or our actions in response to these conditions, such as price increases, including our price increase in 2022 and ~~planned for in~~ 2023, could reduce consumer spending or change consumer purchasing habits. Among these changes could be a reduction in the number of clean conscious consumer products that consumers purchase where there are alternatives, given that many products in this category often have higher retail prices than do their conventional counterparts. Further, the Diapers and Wipes, Skin and Personal Care and Household and Wellness categories in which we operate are subject to changes in consumer preference, perception and spending habits. Our performance depends significantly on factors that may affect the level and pattern of consumer spending in the markets in which we operate. Such factors include consumer preference, consumer confidence, consumer income, consumer perception of the safety and quality of our products and shifts in the perceived value for our products relative to alternatives. The Diapers and Wipes market is also subject to changes in birthrates, which have been declining in developed countries like the United States. In addition, media coverage regarding the safety, quality environmental suitability of, our products or the raw materials, ingredients or processes involved in their manufacturing may damage consumer confidence in our products. A general decline in the consumption of our products could occur at any time as a result of change in consumer preference, perception, confidence and spending habits, including an unwillingness to pay a premium or an inability to purchase our products due to financial hardship or increased price sensitivity, ~~which may be exacerbated by the effects of the COVID- 19 pandemic,~~ inflationary pressures and economic uncertainty. If consumer preferences shift away from clean products, our business, financial condition and results of operations could be adversely affected. The success of our products depends on a number of factors including our ability to accurately anticipate changes in market demand and consumer preferences, our ability to differentiate the quality of our products from those of our competitors, and the effectiveness of our marketing and advertising campaigns for our products. We may not be successful in identifying trends in consumer preferences and developing products that respond to such trends in a timely manner. We also may not be able to effectively promote our products by our marketing and advertising campaigns and gain market acceptance. If our products fail to gain market acceptance, are restricted by regulatory requirements or have quality problems, we may not be able to fully recover costs and expenses incurred in our operation, and our business, financial condition, results of operations and prospects could be adversely affected. If we cannot maintain our Company culture or focus on our purpose as we grow, our success and our business and competitive position may be harmed. We believe our culture and our mission have been key contributors to our success to date and that the critical nature of the platform that we provide promotes a sense of greater purpose and fulfillment in our employees. Any failure to preserve our culture or focus on our mission could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our corporate objectives. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important values. If we fail to maintain our Company culture or focus on our mission, our competitive position and business, financial condition, results of operations and prospects could be adversely affected. Our ability to maintain our competitive position is largely dependent on the services of our senior management and other key personnel, including our founder and Chief Creative Officer, Jessica Warren, and our Chief Executive Officer, Carla Vernón. Our ability to maintain our competitive position is largely dependent on the services of our senior management and other key personnel, including our founder and Chief Creative Officer, Jessica Warren, and our Chief Executive Officer, Carla Vernón. The loss of the services of either of these persons could have an adverse effect on our business, financial condition ~~,~~ **and** results of operations ~~and prospects~~ . Jessica Warren is a globally recognized Latina business leader, entrepreneur, advocate, actress, and New York Times bestselling author. We believe that the success of our brand ~~depends~~ **is based** in part on our ~~ongoing~~ affiliation with Jessica Warren. We have an agreement with Jessica Warren, or the Likeness Agreement, which, among other things, includes a license for her likeness and imposes various obligations on us. Ms. Warren has the right to terminate the Likeness Agreement at any time upon prior written notice, and the Likeness Agreement will immediately terminate in the event we become insolvent. Upon termination of the Likeness Agreement, we could, among other things, be required to pay damages to Ms. Warren, lose our ability to associate the brand with Ms. Warren, **including the ability to sell existing inventory using the licensed intellectual property,** and sustain reputational damage **. We are currently discussing the terms of the Likeness Agreement with Ms. Warren and there is no assurance that we will reach agreement on such terms. The termination of the Likeness Agreement could result in a reduction of our operating margins and cash flow from operations or otherwise adversely affect our business. Additionally, the loss of our ability to use Ms. Warren' s likeness could result in marketplace confusion, loss of goodwill and / or similar negative consequences** . We depend on Ms. Warren' s social media reach and influence to connect with consumers and provide insight on current trends. If Ms. Warren objects to a proposed use of the licensed property, we may be prevented from implementing our business plan in a timely manner, or at all, outside of previously approved usages or usages consistent with certain pre- approved product guidelines. The loss of the services of Ms. Warren, or the loss of our ability to use Ms. Warren' s likeness, could have an adverse effect on our business, financial condition ~~,~~ **and** results of operations ~~and prospects~~ . Our brand may also depend on the positive image and public popularity of Ms. Warren to maintain and increase brand recognition. Ms. Warren' s social media presence and approximately ~~48~~ **57** million followers as of February ~~2023~~ **2024** across all of her social media channels combined represent a large social following and potential audience for our social media reach. Consumers may be drawn to our products because of her involvement with us. If Ms. Warren' s image, reputation or popularity is materially and adversely affected, this could negatively affect the marketability and sales of our products and could have an adverse effect on our business, financial condition ~~,~~ **and** results of operations ~~and prospects~~ . In addition, our future success depends on our continued ability to attract, develop, motivate and retain highly qualified and skilled employees, including Carla Vernón, who became our ~~new~~ Chief Executive Officer effective January 9, 2023. The market for such positions is competitive. Qualified individuals, like Ms. Vernón with her extensive experience in CPG and with founder- built businesses, are in high demand and we may incur significant costs to attract them. In addition, the loss of any of our senior management or other key employees or our inability to recruit and develop mid- level managers could adversely affect our ability to execute our business plan and we may be unable to find adequate replacements. All of our employees are at- will employees, meaning that they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. If we fail to retain talented senior management and other key personnel, or if we do not succeed in attracting well- qualified employees or retaining and motivating existing employees, our business, financial condition ~~,~~ **and** results of operations ~~and prospects~~ could be adversely affected. Use of social media and influencers may adversely affect our reputation or subject us to fines or other penalties. We use third- party social media platforms as, among other things, marketing tools. For example, we maintain Instagram, Facebook, Pinterest, **X (formerly** Twitter **)** and TikTok accounts. We also maintain relationships with thousands of social media influencers and engage in sponsorship initiatives. As existing ecommerce and social media platforms continue to rapidly evolve and new platforms develop, we must continue to maintain a presence on these platforms and establish presences on new or emerging social media platforms. If we are unable to cost- effectively use social media platforms as marketing tools or if the social media platforms we use change their policies or algorithms, we may not be able to fully optimize such platforms, and our ability to maintain and acquire consumers and our financial condition may suffer. Furthermore, as laws and regulations and public opinion rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees, our network of social media influencers, our sponsors or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices or otherwise could subject us to regulatory investigations, class action lawsuits, liability, fines or other penalties and have an adverse effect on our business, financial condition, results of operations and prospects. In addition, an increase in the use of social media influencers for product promotion and marketing may cause an increase in the burden on us to monitor compliance of the content they post and increase the risk that such content could contain problematic product or marketing claims in violation of applicable laws and regulations. For example, in some cases, the Federal Trade Commission, or the FTC, has sought enforcement action where an endorsement has failed to clearly and conspicuously disclose a financial relationship or material connection between an influencer and an advertiser. We do not control the content that our influencers post, and if we were held responsible for any false, misleading or otherwise unlawful content of their posts or their actions, we could be fined or subjected to other monetary liabilities or forced to alter our practices, which could have an adverse impact on our business. Negative commentary regarding us, our products or influencers and other third parties who are affiliated with us has in the past and may in the future also be posted on social media platforms and may be adverse to our reputation or business. Influencers with whom we maintain relationships could engage in behavior or use their platforms to communicate directly with our consumers in a manner that reflects poorly on our brand and may be attributed to us or otherwise adversely affect us. It is not possible to prevent such behavior, and the precautions we take to detect this activity may not be effective in all cases. Our target consumers often value readily available information and often act on such information without further investigation and without regard to its accuracy. The harm may be immediate, without affording us an opportunity for redress or correction. Employee litigation and unfavorable publicity could negatively affect our future business. Our employees have in the past, and may in the future, bring employment- related lawsuits against us, including regarding injuries, a hostile workplace, discrimination, wage and hour disputes, sexual harassment, or other employment issues. In recent years there has been an increase in the number of discrimination and harassment claims generally. Coupled with the expansion of social media platforms, employer review websites and similar devices that allow individuals access to a broad audience, these claims have had a significant negative impact on some businesses. Certain companies that have faced employment- or harassment- related claims have had to terminate management or other key personnel and have suffered reputational harm that has negatively impacted their business, including their ability to attract and hire top talent. Any employment- or harassment- related claims against our Company or key personnel could negatively affect us in similar or other ways. We have a history of net losses and we may not be able to achieve or maintain profitability in the future. We have incurred net losses each year since our inception and we may not be able to achieve or maintain profitability in the future. We incurred net losses of $ **39. 2 million, $** 49. 0 million ~~,~~ **and** $ 38. 7 ~~million and $ 14. 5~~ million in the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. ~~Our~~ **Even as we try to manage our** expenses ~~will likely increase in the future as we develop~~ and **execute the Transformation Initiative** ~~launch new products and platform features~~ , ~~expand in existing and new markets, increase our sales and marketing efforts and continue to invest in our platform. These~~ **these** efforts may be more costly than we expect and may not result in increased revenue or growth **or margin improvements** in our business ~~. These products may require significant capital investments and recurring costs, maintenance, depreciation, asset life and asset replacement costs, and if we are not able to maintain sufficient levels of utilization of such assets or such products are otherwise not successful, our investments may not generate sufficient returns and our financial condition may be adversely affected~~ . Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses could prevent us from achieving or maintaining profitability or positive cash flow on a consistent basis. If we are unable to successfully address these risks and challenges as we encounter them, our business, financial condition, results of operations and prospects could be adversely affected. If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability . Our results of operations could be...... condition, results of operations and prospects . We have a limited operating history at our current scale, which may make it difficult to evaluate our business and future prospects. We began commercial operations in 2012 and have a limited history of generating revenue at our current scale. As a result of our relatively short operating history at our current scale, we have limited financial data that can be used to evaluate our business and future prospects. Any evaluation of our business and prospects must be considered in light of our limited operating history, which may not be indicative of future performance. Because of our limited operating history, we face increased risks, uncertainties, expenses, and difficulties, including the risks and uncertainties discussed in this section. Certain of the data that we track is subject to inherent challenges in measurement, and any inaccuracies in such data may negatively affect our business. We track certain data using internal data analytics tools and we rely on data received from third parties, including third- party platforms, which have certain limitations. Data from these sources may include information relating to fraudulent accounts and interactions with our sites or the social media accounts of our business or of our influencers (including as a result of the use of bots, or other automated or manual mechanisms to generate false impressions that are delivered through our sites or their accounts). We have only a limited ability to verify data from our sites or third parties, and perpetrators of fraudulent impressions may change their tactics and may become more sophisticated, which would make it still more difficult to detect such activity. Our methodologies for tracking data may also change over time. If we undercount or overcount performance due to the internal data analytics tools we use or experience issues with the data received from third parties, or if our internal data analytics tools contain algorithmic or other technical errors, the data we track may not be accurate. In addition, limitations, changes or errors with respect to how we measure data may affect our understanding of certain details of our business, which could affect our longer- term strategies. If we are not able to obtain and track accurate data, our business, financial condition, results of operations and prospects could be adversely affected. We rely on independent certification for a number of our products. We rely on independent third- party certification, such as certifications of some of our products or ingredients as " organic " to differentiate them from others. We must comply with the requirements of independent organizations or certification authorities in order to label our products as certified organic, such as the United States Department of Agriculture' s, or the USDA, National Organic Program, the Global Organic Textile Standard for organic cotton in our baby clothing and bedding, the USDA' s BioPreferred Program for certified biobased products, the National Eczema Association' s NEA Seal of Acceptance, and the NSF / ANSI 305 standards set by Quality Assurance International. For example, we can lose our certifications if we use unapproved raw materials or incorrectly use a certification on product labels or in marketing materials. The loss of any independent certifications could adversely affect our market position and brand reputation as a maker of clean products, and our business, financial condition, results of operations and prospects could be adversely affected. Our results of operations may fluctuate as a result of price concessions, promotional activities, credits and other factors. Retailers and third- party ecommerce partners may require price concessions that would negatively impact our margins and our ability to achieve or maintain profitability. If we are not able to lower our cost structure adequately in response to consumer pricing demands, and if we are not able to attract and retain a profitable consumer mix and a profitable product mix, our ability to achieve or maintain profitability could be adversely affected. In addition, we periodically offer credits through various programs to our retail and ecommerce customers, including temporary price reductions, off- invoice discounts, retailer advertisements, product coupons, market development funds, in- store merchandising and product displays and other trade activities. We also periodically provide credits or other accommodations to our retail and ecommerce customers in the event that products do not conform to specifications or meet expected demand. The cost associated with promotions and credits is estimated and recorded as a reduction in revenue. These price concessions and promotional activities could adversely impact our revenue and changes in such activities could adversely impact period- over- period results. If we are not correct in predicting the performance of such promotions, or if we are not correct in estimating credits, our business, financial condition, results of operations and prospects could be adversely affected. Our inability to secure, maintain and increase our presence in retail stores could adversely impact our revenue, and in turn our business, financial condition, results of operations and prospects could be adversely affected. Our operations include sales to retail stores and their related websites, which in ~~2022~~ **2023** , accounted for approximately ~~55~~ **51** % of our revenue. The success of our business is largely dependent on our continuing development of strong relationships with major retail chains. Target **and Walmart** represented 31 % **and 7 %, respectively,** of our retail sales in ~~2022~~ **2023** ~~. In the third quarter of 2022, we also expanded retail distribution into over 2, 500 Walmart stores~~ . The loss of our relationship with Target **, Walmart** or any other large retail customer ~~, including our new relationship with Walmart,~~ could have a significant impact on our revenue. For example, ~~there is significant volatility~~ in **2023** our **rotational** ~~programs~~ **program** with Costco **was not renewed** ~~which resulted in a $ 10. 0 million reduction in our revenue in 2022~~ . We have no assurance of future rotational programs or ongoing revenue with Costco. In addition, we may be unable to secure adequate shelf space in new markets, or any shelf space at all, until we develop relationships with the retailers that operate in such markets. We also may not be successful in executing our launches with new retailers ~~like Walmart~~ . Consequently, growth opportunities through our Retail channel may be limited and our revenue, business, financial condition, results of operations and prospects could be adversely affected if we are unable to successfully establish or maintain relationships with other retailers in new or current markets **. For example, in 2023 we exited distribution in low- margin channels** . We also face significant competition to display our products on store shelves and obtain optimal presence on those shelves. Due to the intense competition for limited shelf space, retailers are in a position to negotiate favorable terms of sale, including price discounts, allowances and product return policies. To the extent we elect to increase discounts or allowances in an effort to secure shelf space, our operating results could be adversely affected. We may not be able to increase or sustain our volume of retail shelf space or offer retailers price discounts sufficient to overcome competition and, as a result, our sales and results of operations could be adversely affected. In addition, many of our competitors have significantly greater financial, manufacturing, marketing, management and other resources than we do and may have greater name recognition, a more established distribution network and a larger base of wholesale customers and distributors. Many of our competitors also have well- established relationships with our current and potential consumers who purchase Diapers and Wipes, Skin and Personal Care or Household and Wellness products at retail stores, and have extensive knowledge of our target markets. As a result, these competitors may be able to devote greater resources to the development, promotion and sale of their products and respond more quickly to evolving consumer preferences. If our competitors' sales surpass ours, retailers may give higher priority to our competitors' products, causing such retailers to reduce their efforts to sell our products and resulting in the loss of advantageous shelf space. Significant product returns or refunds could harm our business. We allow our DTC consumers to return products and we offer refunds, subject to our return and refunds policy. In addition, some of our agreements with our retail or third- party ecommerce partners provide that we are responsible for the costs of certain returns. If product returns or refunds are significant or higher than anticipated and forecasted, our business, financial condition, results of operations and prospects could be adversely affected. Further, we and our retail and third- party ecommerce partners modify policies relating to returns or refunds from time to time, and may do so in the future, which may result in consumer dissatisfaction and harm to our reputation or brand, or an increase in the number of product returns or the amount of refunds we make. Additionally, from time to time our products are damaged in transit, which can increase return rates and harm our brand. Our business may be adversely affected if we are unable to provide our consumers with a technology platform that is able to respond and adapt to rapid changes in technology. The number of people who access the Internet through devices other than personal computers, including mobile phones, handheld computers such as notebooks and tablets and television set- top devices, has increased dramatically in recent years. The versions of our website and mobile applications developed for these devices may not be compelling to consumers.

Our website and platform are also currently not compatible with voice- enabled products. Adapting our services and / or infrastructure to these devices as well as other new Internet, networking or telecommunications technologies could be time-consuming and could require us to incur substantial expenditures, which could have an adverse effect on our business, financial condition, results of operations and prospects. Additionally, as new mobile devices and platforms are released, it is difficult to predict the problems we may encounter in developing applications for alternative devices and platforms and we may need to devote significant resources to the creation, support and maintenance of such applications. If we or our retail or ecommerce partners are unable to attract consumers to our or their websites or mobile applications through these devices or are slow to develop a version of such websites or mobile applications that are more compatible with alternative devices, we may fail to capture a significant share of consumers in the Diapers and Wipes, Skin and Personal Care or Household and Wellness product categories and could also lose consumers, which could have an adverse effect on our business, financial condition, results of operations and prospects. Further, we continually upgrade existing technologies and business applications and we may be required to implement new technologies or business applications in the future. The implementation of upgrades and changes requires significant investments and may cause disruption to our business. Our results of operations may be affected by the timing, effectiveness and costs associated with the successful implementation of any upgrades or changes to our systems and infrastructure. For example, we have not yet integrated honestbabyclothing. com into our systems and our integration efforts for honestbabyclothing. com may not be successful and may negatively impact our consumer growth. In the event that it is more difficult for our consumers to buy products from us on their mobile devices, or if our consumers choose not to buy products from us on their mobile devices or to use mobile products or platforms that do not offer access to our website, we could lose consumers and fail to attract new consumers. As a result, our consumer growth could be harmed and our business, financial condition, results of operations and prospects could be adversely affected. Severe weather, including hurricanes, earthquakes and natural disasters **,** could disrupt normal business operations, which could result in increased costs and have an adverse effect on our business, financial condition, results of operations and prospects. Our services and operations, including several of our fulfillment centers, customer service centers, data centers and corporate offices are located in California, Nevada ~~,~~ **and** Pennsylvania ~~and the Netherlands~~ , and other areas ~~as well as temporary storage~~ and cross dock facilities that are vulnerable to damage or interruption from natural disasters, power losses, telecommunication failures, terrorist attacks, human errors, break-ins and similar events. The occurrence of a natural disaster or other unanticipated problems at our facilities could result in lengthy interruptions in our services as well as higher insurance premiums. We may not be able to efficiently relocate our fulfillment and delivery operations due to disruptions in service if one of these events occurs and our insurance coverage may be insufficient to compensate us for such losses. Because the Los Angeles area, where our corporate offices are located, is in an earthquake fault zone and because the Los Angeles area is subject to the increased risk of wildfires, we are particularly sensitive to the risk of damage to, or total destruction of, our primary offices and one of our key fulfillment and delivery centers. Although we are insured up to certain limits against any certain losses or expenses that may result from a disruption to our business due to earthquakes or wildfires, either of these events, if incurred, could adversely affect our business, financial condition, results of operations and prospects. A disruption in our operations could have an adverse effect on our business. **Our** ~~As a company engaged in sales domestically and internationally, our~~ operations, including those of our third- party manufacturers, suppliers and delivery service providers, are subject to the risks inherent in such activities, including industrial accidents, environmental events, strikes and other labor disputes, disruptions in information systems, product quality control, safety, licensing requirements and other regulatory issues, as well as natural disasters, pandemics or other public health emergencies, border disputes, acts of terrorism and other external factors over which we and our third- party manufacturers, suppliers and delivery service providers have no control. The loss of, or damage to, the manufacturing facilities or fulfillment centers of our third- party manufacturers, suppliers and delivery service providers could have an adverse effect on our business, financial condition, results of operations and prospects. We depend heavily on ocean container delivery to receive shipments of certain of our products such as wipes from our third- party manufacturers located in China and contracted third- party delivery service providers to deliver our products to our fulfillment centers located in Las Vegas, Nevada ~~,~~ **and** Breinigsville, Pennsylvania ~~and the Netherlands and other short- term inventory storage locations~~ , and from there to our consumers and retail customers **. Our third- party manufacturers also rely on ocean container delivery to receive shipments of raw materials and components for our products** . Further, we rely on parcel carriers for the delivery of products sold directly to consumers through Honest. com and one major carrier for our domestic freight. Interruptions to or failures in these **international and domestic transportation and** delivery services **has in the past prevented and** could **in the future** prevent the timely or successful delivery of our products ~~. For example, containers of wipes from seven ocean shipments were found to have mold on the shipping boxes and master cartons in the fourth quarter of 2022. While we have tendered this loss to our insurer and freight forwarders, the loss of contaminated product, inspection costs, container and truck storage costs, and remediation costs may negatively impact our operations in 2023~~ . These interruptions or failures may also be due to unforeseen events that are beyond our control or the control of our third- party delivery **and transportation** service providers, such as truck shortages, labor unrest **, political turmoil** or natural disasters. There is no assurance that these interruptions or failures will not happen again. For example, a labor strike at a port could negatively impact the delivery of our imported wipes, and the escalating trade dispute between the United States and China and the increased demand for shipping containers have and may in the future restrict the flow of the goods, including our components and wipes, from China to the United States. ~~For example, due to COVID- 19 lockdown restrictions in China in the second quarter of 2022, many of the ports shut down which has negatively impacted and may in the future negatively impact our ability to timely receive shipments of our products.~~ Any failure to provide high- quality delivery services to our consumers may negatively affect the shopping experience of our consumers, damage our reputation and cause us to lose consumers. Our ability to meet the needs of our consumers and retail customers depends on our and our distribution partners' proper operation of our fulfillment centers in Las Vegas, Nevada ~~,~~ **and** Breinigsville, Pennsylvania ~~and the Netherlands and~~

~~other short- term inventory storage locations~~ , where most of our inventory that is not in transit is housed. Although we currently insure our inventory, our insurance coverage may not be sufficient to cover the full extent of any loss or damage to our inventory or fulfillment centers, and any loss, damage or disruption of this facility, or loss or damage of the inventory stored there, could have an adverse effect on our business, financial condition, results of operations and prospects. We may incur significant losses from fraud. We may in the future incur losses from various types of fraud, including stolen credit card numbers, claims that a consumer did not authorize a purchase, merchant fraud and consumers who have closed bank accounts or have insufficient funds in open bank accounts to satisfy payments. Although we have measures in place to detect and reduce the occurrence of fraudulent activity in our marketplace, those measures may not always be effective. In addition to the direct costs of such losses, if the fraud is related to credit card transactions and becomes excessive, it could potentially result in us paying higher fees or losing the right to accept credit cards for payment. In addition, under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder' s signature for online purchases on Honest. com. Our failure to adequately prevent fraudulent transactions could damage our reputation, result in litigation or regulatory action and additional expenses and our business, financial condition, results of operations and prospects could be adversely affected. Our ability to raise capital in the future may be limited and our failure to raise capital may limit our ability to invest in strategic priorities and grow our business. In the future, we could be required to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. We may sell common stock, convertible securities and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, investors in our common stock may be materially diluted. New investors in such subsequent transactions could gain rights, preferences and privileges senior to those of holders of our common stock. Debt financing, if available, may involve restrictive covenants and could reduce our operational flexibility or ability to achieve or maintain profitability. Additionally, our ability to raise additional funds may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, the credit and financial markets in the United States and worldwide, resulting from increased volatility in the trading markets ~~, the continuing effects of the COVID- 19 pandemic~~ , or otherwise. If we cannot raise funds on acceptable terms, we may be forced to raise funds on undesirable terms, or our business may contract or we may be unable to grow our business or respond to competitive pressures, any of which could have an adverse effect on our business, financial condition, results of operations and prospects. The agreements governing our indebtedness require us to meet certain operating and financial covenants and place restrictions on our operating and financial flexibility. If we raise capital through additional debt financing, the terms of any new debt could further restrict our ability to operate our business. In January 2023, we entered into a first lien credit agreement, or 2023 Credit Facility, with JPMorgan Chase Bank, N. A., as administrative agent and lender, and the other lenders party thereto, which provides for a $ 35. 0 million revolving credit facility maturing on April 30, 2026. Debt under the 2023 Credit Facility is guaranteed by our material domestic subsidiaries and is secured by our and such subsidiaries' assets and property. The 2023 Credit Facility also contains affirmative and negative covenants, indemnification provisions and events of default. The affirmative covenants include, among others, administrative, reporting and legal covenants, in each case subject to certain exceptions. The negative covenants include, among others, limitations on our and certain of our subsidiaries' abilities to, in each case subject to certain exceptions: • make restricted payments including dividends and distributions on, redemptions of, repurchases or retirement of our capital stock; • make certain intercompany distributions; • incur additional indebtedness and issue certain types of equity; • sell assets, including capital stock of subsidiaries; • enter into certain transactions with affiliates; • incur liens; • enter into fundamental changes including mergers and consolidations; • make investments, acquisitions, loans or advances; • create negative pledges or restrictions on the payment of dividends or payment of other amounts owed from subsidiaries; • make prepayments or modify documents governing material debt that is subordinated with respect to right of payment; • engage in certain sale leaseback transactions; • change our fiscal year; and • change our lines of business. The 2023 Credit Facility also contains a financial covenant that requires us to maintain a minimum total fixed charge coverage ratio during the periods set forth in the 2023 Credit Facility. As a result of the restrictions described above, we **are** ~~will be~~ limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders or amend the covenants. Our ability to comply with the covenants and restrictions contained in the 2023 Credit Facility may be affected by economic, financial and industry conditions beyond our control. The restrictions in the 2023 Credit Facility may prevent us from taking actions that we believe would be in the best interests of our business and may have made it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. Even if the 2023 Credit Facility is terminated, any additional debt that we incur in the future could subject us to similar or additional covenants. The 2023 Credit Facility includes customary events of default, including failure to pay principal, interest or certain other amounts when due; material inaccuracy of representations and warranties; violation of covenants; specified cross- default and cross- acceleration to other material indebtedness; certain bankruptcy and insolvency events; certain events relating to the Employee Retirement Income Security Act of 1974; certain undischarged judgments; material invalidity of guarantees or grant of security interest; and change of control, in certain cases subject to certain thresholds and grace periods. Our failure to comply with the restrictive covenants described above as well as other terms of our indebtedness could result in an event of default, which, if not cured or waived, could result in the lenders declaring all obligations, together with accrued and unpaid interest, immediately due and payable and take control of the collateral, potentially requiring us to renegotiate the 2023 Credit Facility on terms less favorable to us. If we are forced to refinance these borrowings on less favorable terms or are unable to refinance these borrowings, our business, results of operations, financial condition and future prospects could be adversely affected. In addition, such a default or acceleration may result in the acceleration of any future indebtedness to which a cross- acceleration or cross- default provision applies. If we are unable to repay our indebtedness, lenders having secured obligations, such as the lenders under the 2023 Credit Facility, could proceed against the collateral securing the indebtedness. In any such case, we may be unable to borrow under our credit facilities and may not be able to repay the amounts due under our credit facilities. This could have an adverse effect on our business, financial condition, results of operations and prospects and could cause us to become bankrupt or insolvent. We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our consumers would have to pay for our products and adversely affect our operating results. On June 21, 2018, the U. S. Supreme Court held in South Dakota v. Wayfair, Inc. that states could impose sales tax collection obligations on out- of- state retailers even if those retailers lack any physical presence within the states imposing sales taxes. Under **the** Wayfair **decision** , a person requires only a " substantial nexus " with the taxing state before the state may subject the person to sales tax collection obligations therein. An increasing number of states, both before and after the Supreme Court' s ruling, have considered or adopted laws that attempt to impose sales tax collection obligations on out- of- state retailers. The Supreme Court' s Wayfair decision has removed a significant impediment to the enactment of these laws, and it is possible that states may seek to tax out- of- state retailers, including for prior tax years. Although we believe that we currently collect sales taxes in all states that have adopted laws imposing sales tax collection obligations on out- of- state retailers since Wayfair was decided, a successful assertion by one or more jurisdictions requiring us to collect sales taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some sales taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments of sales tax collection obligations on out- of- state retailers in jurisdictions where we do not currently collect sales taxes, whether for prior years or prospectively, could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on our competitors and decrease our future sales, which could have an adverse effect on our business, financial condition, results of operations and prospects. We may seek to grow our business through acquisitions of, or investments in, new or complementary businesses, facilities, technologies or products, or through strategic alliances, and the failure to manage these acquisitions, investments or alliances, or to integrate them with our existing business, could have an adverse effect on us. From time to time we may consider opportunities to acquire or make investments in new or complementary businesses, facilities, technologies, offerings ~~,~~ or products, or enter into strategic alliances, that may enhance our capabilities, expand our outsourcing and supplier network, complement our current products or expand the breadth of our markets ~~. For example, in 2019 we entered into a license agreement with Butterblu pursuant to which we licensed certain of our trademarks to Butterblu for the manufacture and distribution of certain baby apparel products in exchange for royalties. In August 2022, we terminated the license agreement in advance of its expiration date and entered into a supplier services agreement with Butterblu, pursuant to which Butterblu provides certain design, manufacturing, sales and marketing services to us~~ . Acquisitions, investments and other strategic alliances, including our supplier services agreement with Butterblu, involve numerous risks, including: • problems integrating the acquired business, facilities, technologies or products, including issues maintaining uniform standards, procedures, controls and policies; • risks associated with quality control and brand reputation; • unanticipated costs associated with acquisitions, investments or strategic alliances; • diversion of management' s attention from our existing business; • adverse effects on existing business relationships with suppliers, outsourced private brand manufacturing partners and retail and ecommerce partners; • risks associated with any dispute that may arise with respect to such strategic alliance; • risks associated with entering new markets in which we may have limited or no experience; • potential loss of key employees of acquired businesses; and • increased legal and accounting compliance costs. Our ability to successfully grow through strategic transactions depends upon our ability to identify, negotiate, complete and integrate suitable target businesses, facilities, technologies and products and to obtain any necessary financing. These efforts could be expensive and time- consuming and may disrupt our ongoing business and prevent management from focusing on our operations. If we are unable to identify suitable acquisitions or strategic relationships, or if we are unable to integrate any acquired businesses, facilities, technologies and products effectively, our business, financial condition, results of operations and prospects could be adversely affected. Also, while we employ several different methodologies to assess potential business opportunities, the new businesses may not meet or exceed our expectations. Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited. We have incurred substantial losses since inception. As of December 31, ~~2022~~ **2023** , we had federal and state net operating loss carryforwards of $ ~~301~~ **311** . 0 million and $ ~~272~~ **274** . 0 million, respectively. The federal loss carryforwards, except the federal loss carryforwards arising in tax years beginning after December 31, 2017, begin to expire in 2032 unless previously utilized. Federal net operating losses, or NOLs, arising in tax years beginning after December 31, 2017 have an indefinite carryforward period and do not expire, but the deduction for these carryforwards is limited to 80 % of current- year taxable income for taxable years beginning after 2020. In general, under Sections 382 and 383 of the U. S. Internal Revenue Code of 1986, as amended, a corporation that undergoes an " ownership change " (generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a rolling three- year period) is subject to limitations on its ability to utilize its pre- change NOLs to offset future taxable income. We may have experienced ownership changes in the past ~~,~~ **and** may experience ownership changes in the future ~~,~~ **. We performed a study to determine whether net operating losses** and **credit carryover limitations exist under Section 382 as of December 31, 2020, and determined that a portion of the net operating losses that were generated during 2013 and prior** are **subject** ~~currently evaluating with our independent tax advisors whether and~~ to ~~what extent our NOLs may~~ **Section 382 annual limitations. As of December 31, 2023 and 2022, these limitations did not cause any of the limited net operating losses to** be ~~currently limited~~ **permanently lost** . In addition, for state income tax purposes, there may be periods during which the use of NOLs or tax credits is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. Risks Related to Our Dependence on Third Parties Our business, including our costs and supply chain, is subject to risks associated with sourcing, manufacturing, warehousing, distribution and logistics, and the loss of any of our key suppliers or logistical service providers could negatively impact our business. All of the products we offer are manufactured by a limited number of third- party manufacturers, and as a result we have been and may continue to be subject to price fluctuations or demand disruptions. Our operating results have been negatively impacted by increases in the costs of manufacturing our products, and we have no guarantees that costs will not continue to rise. For example, some of our contracts with third- party manufacturers have clauses that trigger good faith renegotiation of purchase costs in the case of significant raw material cost escalation. ~~In the fourth quarter of~~ **We renegotiated and agreed to higher purchase prices in** ~~2021~~ **2022 with** ~~, we were informed by~~ two **of our** third- party manufacturers ~~in our Diapers and Wipes and Skin and Personal Care categories, respectively, that those hurdles had been met. In addition, in the third quarter of 2022, we received requests from the same two third- party manufacturers to renegotiate purchase costs due to continued increases in raw material costs. As a result, we negotiated and agreed to higher purchase prices~~ which has negatively impacted our cost of revenue **in our Diapers and Wipes product category** ~~during the year ended December 31, 2022~~ and will continue to have a negative impact on our results of operations ~~. Due to continued elevated input costs such as fluff pulp, we experienced further escalation of purchase costs and cost of revenue in the fourth quarter of 2022 and anticipate the same in 2023. Moreover, the demand for sustainable packaging and ingredients is outpacing the supply and increasing the cost of these raw materials. For example, there is a supplier shortage or significant demand for and cost impacts to various raw materials used in manufacturing and distributing our products, including post- consumer recycled plastic resin, post- consumer recycled cardboard shipping cartons for our Honest. com shipments, surfactants, fluff pulp and other diaper raw materials~~ . We implemented price increases that took effect **throughout** ~~in the first half of~~ 2022 and ~~in December 2022~~ **2023** and plan to ~~take~~ **implement** additional price increases ~~in 2023 and~~ in the future as needed to offset input cost inflation. The implementation of these ~~and future~~ price increases are dependent on acceptance from our customers and accurate input of these pricing changes into our systems and our customers' systems. We have also continued to experience record- high freight and shipping costs. As we expand into new categories and product types, we expect that we may not have strong purchasing power in these new areas, which could lead to higher costs than we have historically seen in our current product categories. Failure to incorporate these ~~and future~~ price increases into our and our customers' systems may negatively impact our revenue and business results. We may also be limited in our ability to pass increased costs on to consumers, and may experience reduced demand from consumers as a result of our price increases, which could adversely affect our operating results. Moreover, in the event of a significant disruption in the supply of the materials used in the manufacture of the products we offer, we and the vendors that we work with might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. Products and merchandise we receive from manufacturers and suppliers may not be of sufficient quality or free from damage, or such products may be damaged during shipping, while stored in our warehouse fulfillment centers or with third- party ecommerce or retail customers or when returned by consumers. We may incur additional expenses and our brand or reputation could be harmed if customers or consumers and potential consumers believe that our products do not meet their expectations, are not properly labeled or are damaged. ~~For example, as disinfecting and sanitization products have faced supply chain challenges, decelerating market demand and aging and slower turning inventory, the Company has received some product quality complaints from customers and consumers that have resulted or may result in additional refunds, returns, write- offs and remediation costs.~~ We purchase significant amounts of product supply from a limited number of suppliers with limited supply capabilities. There can be no assurance that our current suppliers will be able to accommodate our anticipated growth or continue to supply current quantities at preferential prices. An inability of our existing suppliers to provide materials in a timely or cost- effective manner could impair our growth and have an adverse effect on our business, financial condition, results of operations and prospects ~~. For example, Valor Brands LLC (dba Ontex North America), or Ontex, which manufactures and supplies certain diaper products for us, have opened a new manufacturing facility in North Carolina and its new facility may not be able to manufacture our diapers in a timely, cost- effective manner or meet our quality standards~~ . In addition, we do not maintain long- term supply contracts with many of our suppliers and these suppliers could discontinue selling to us at any time. **We do** ~~However, we~~ have a long- term supply agreement with Ontex for the manufacture and supply of certain diaper products **that** ~~. The current term of the supply agreement with Ontex~~ ends on ~~December 31~~ **January 1** , ~~2023~~ **2027** ~~. In addition~~ , **which** ~~our agreement with Ontex provides that Ontex will be our exclusive supplier of diaper and training pant products so long as Ontex is able to provide us such products. Either~~ **either** party may terminate ~~the agreement~~ if the other party materially breaches the agreement and does not cure the breach within a specified notice period, or upon the other party' s insolvency. If the agreement with Ontex is terminated, is not renewed, or if Ontex becomes insolvent, ceases or significantly reduces its operations or experiences financial distress ~~, as a result of the COVID- 19 pandemic or otherwise~~ , or if any environmental, economic or other outside factors impact their operations, our ability to procure diaper manufacturing services may be impaired, and we may not be able to obtain, or may face increased costs related to, such services. The loss of Ontex, or of any of our other significant suppliers, or the discontinuance of any preferential pricing or exclusive incentives they currently offer to us could have an adverse effect on our business, financial condition, results of operations and prospects. In December 2022, we amended our agreement with Ontex to increase pricing on certain items, among other terms, which **applied** ~~will apply~~ for the balance of our agreement with Ontex **through 2023** and **increased our cost of revenue in 2023. In January 2024, we amended and restated our agreement with Ontex, which included improved pricing on certain items, among other terms,** which will **be reflected** ~~increase our cost of revenue~~ in ~~2023~~ **our results of operations in future periods** . If we are not successful in negotiating future renewals **or if we are subject to increased pricing terms** , our business, financial condition, results of operations and prospects could be adversely affected. We continually seek to expand our base of suppliers, especially as we identify new products that necessitate new or additional materials. We also require our new and existing suppliers to meet our ethical and business partner standards. Suppliers may also have to meet governmental and industry standards and any relevant standards required by our consumers, which may require additional investment and time on behalf of suppliers and us. If any of our key suppliers becomes insolvent, ceases or significantly reduces its operations or experiences financial distress ~~, as a result of the COVID- 19 pandemic or otherwise~~ , if any environmental, economic or other outside factors impact their operations or if we are unable to identify or enter into distribution relationships with new suppliers or to replace the loss of any of our existing suppliers, we may experience a competitive disadvantage, our business may be disrupted and our business, financial condition, results of operations and prospects could be adversely affected. Our principal suppliers and customers currently provide us with certain incentives such as volume rebates, trade discounts, cooperative advertising and market development funds. A reduction or discontinuance of these incentives would increase our costs and could reduce our ability to achieve or maintain profitability. Similarly, if one or more of our suppliers or customers were to offer these incentives, including preferential pricing, to our competitors, our competitive advantage would be reduced, which could have an adverse effect on our business, financial condition, results of operations and prospects. In ~~addition~~ **the fourth quarter of 2023** , we ~~have warehouse fulfillment~~ **entered into an agreement with National Distribution** ~~centers~~ **Centers** ~~located~~ **, LLC (" NFI") that replaced GEODIS** in **providing services at our** Las Vegas, Nevada **fulfillment center.** ~~, Breinigsville, Pennsylvania and the Netherlands and a short- term inventory storage location in Fontana, California, all of which are managed by a single distribution partner,~~ GEODIS Logistics LLC, or GEODIS **still manages our warehouse fulfillment center located in Breinigsville, Pennsylvania** . **NFI** ~~We have an~~ **and** ~~agreement with~~ GEODIS ~~pursuant to which GEODIS provides~~ - **provide** warehousing, distribution and fulfillment services to us. Our ~~agreement~~ **agreements** with **NFI or** GEODIS may be terminated for any reason by us or by **NFI or** GEODIS **, as applicable,** on delivery of prior written notice, and ~~is~~ **are** renewable on an annual basis. If the agreement with **NFI or** GEODIS is terminated, is not renewed or if one fulfillment center is consolidated into another warehouse fulfillment center or if **NFI or** GEODIS becomes insolvent, ceases or significantly reduces its operations or experiences financial distress ~~, as a result of the COVID- 19 pandemic or otherwise~~ , or if any environmental, economic or other outside factors impact their operations, our ability to procure warehousing, distribution and fulfillment services may be impaired, and we may not be able to obtain, or may face increased costs related to, such services and our business, financial condition, results of operations and prospects could be adversely affected. ~~For example, we are negotiating the renewal of our agreement with GEODIS for services at our Las Vegas, Breinigsville and Netherlands fulfillment centers.~~ If we are not successful negotiating ~~that~~ **such** ~~renewal~~ **renewals** , our business, financial condition, results of operations and prospects could be adversely affected as we may have to work with a new provider of warehousing, distribution and fulfillment services which could be disruptive to our operations and further increase our costs. ~~As~~ **For example, as** part of ~~these~~ -- **the** negotiations **in connection with the renewal of its contract,** GEODIS passed on increased service and inflation related costs to us, ~~including warehouse labor cost,~~ which negatively impacted our cost of revenue for the year ended December 31, ~~2022~~ **2023** and may continue to negatively impact our cost of revenue going forward . If our third- party suppliers...... operations and prospects could be adversely affected . We rely on third- party suppliers, manufacturers, retail and ecommerce customers and other vendors, and they may not continue to produce products or provide services that are consistent with our standards or applicable regulatory requirements, which could harm our brand, cause consumer dissatisfaction, and require us to find alternative suppliers of our products or services. We do not own or operate any manufacturing facilities. We use multiple third- party suppliers and manufacturers based primarily in the United States, China and Mexico and other countries to a lesser extent, to source, manufacture and partner with us for the innovation of all of our products, including product components, under our owned brand. We engage many of our third- party suppliers and manufacturers on a purchase order basis and in some cases are not party to long- term contracts with them. The ability and willingness of these third parties to supply, manufacture and to partner in innovation of our products may be affected by raw material availability and prices, competing orders placed by other companies and the demands of those companies. Our operating results have been negatively impacted by increases in the costs of manufacturing our products, and we have no guarantees that costs will not continue to rise. For example, some of our contracts with third- party manufacturers have clauses that trigger good faith renegotiation of purchase costs in the case of significant raw material cost escalation. In the fourth quarter of 2021, we were informed by two third- party manufacturers in our Diapers and Wipes and Skin and Personal Care categories, respectively, that those hurdles had been met. In addition, in the third quarter of 2022, we received requests from the same two third- party manufacturers to renegotiate purchase costs due to continued increases in raw material costs. As a result, we negotiated and agreed to higher purchase prices which negatively impacted our cost of revenue in 2022 and ~~we expect higher purchase prices in~~ 2023 ~~, which will negatively impact our cost of revenue in 2023, which we may not be able to offset with price increases~~ . If we experience significant increases in demand, or need to replace a significant number of existing suppliers or manufacturers, there can be no assurance that additional supply and manufacturing capacity will be available when required on terms that are acceptable to us, or at all, or that any supplier or manufacturer will allocate sufficient capacity to us in order to meet our requirements. Furthermore, our reliance on suppliers and manufacturers outside of the United States, the number of third parties with whom we transact and the number of jurisdictions to which we sell complicates our efforts to comply with customs duties and excise taxes; any failure to comply could adversely affect our business. In addition, quality control problems, such as the use of materials and delivery of products that do not meet our quality control standards and specifications or comply with applicable laws or regulations, could harm our brand and business or cause consumer dissatisfaction. For example, as disinfecting and sanitization products have faced supply chain challenges, decelerating market demand and aging and slower turning inventory, we have received some product quality complaints from customers and consumers that have resulted and may in the future result in additional refunds, returns, write- offs and remediation costs. Remediation costs would be significant, including the cost to rework a product to be in sellable condition or the cost to destroy a product that cannot be remediated, and while immaterial as of December 31, ~~2022~~ **2023** , it could have an adverse effect on our business, financial condition and results of operations. Quality control problems could result in regulatory action, such as restrictions on importation, products of inferior quality or product stock outages or shortages, harming our sales and creating inventory write- downs for unusable products. We have also outsourced portions of our fulfillment process, as well as certain technology- related functions, to third- party service providers. Specifically, we rely on third parties in a number of foreign countries and territories, we are dependent on third- party vendors for credit card processing, and we use third- party hosting and networking providers to host our sites. The failure of one or more of these entities to provide the expected services on a timely basis, or at all, or at the prices we expect, or the costs and disruption incurred in changing these outsourced functions to being performed under our management and direct control or that of a third party, could have an adverse effect on our business, financial condition, results of operations and prospects. We are not party to long- term contracts with some of our retail and ecommerce customers, and upon expiration of these existing agreements, we may not be able to renegotiate the terms on a commercially reasonable basis, or at all. Further, our third- party manufacturers, suppliers and retail and ecommerce customers may: • have economic or business interests or goals that are inconsistent with ours; • take actions contrary to our instructions, requests, policies or objectives; • be unable or unwilling to fulfill their obligations under relevant purchase orders or manufacturing or supply agreements, including obligations to meet our production deadlines, quality standards, pricing guidelines and product specifications, and to comply with applicable regulations, including those regarding the safety and quality of products; • have financial difficulties; • encounter raw material or labor shortages; • encounter increases in raw material or labor costs which may affect our procurement costs; • encounter difficulties with proper payment of custom duties or excise taxes; • disclose our confidential information or intellectual property to competitors or third parties; • engage in activities or employ practices that may harm our reputation; and • work with, be acquired by, or come under control of, our competitors .If our third- party suppliers and manufacturers do not comply with ethical business practices or with applicable laws and regulations,our reputation,business,financial condition,results of operations and prospects could be harmed.Our reputation and our consumers' willingness to purchase our products depend in part on our suppliers',manufacturers',and retail customers' compliance with ethical employment practices,such as with respect to child labor,wages and benefits,forced labor,discrimination,safe and healthy working conditions,and with all legal and regulatory requirements relating to the conduct of their businesses.While we require that our suppliers agree to our Supplier Code of Conduct,we do not exercise control over our suppliers,manufacturers,and retail customers and cannot guarantee their compliance with ethical and lawful business practices.If our suppliers,manufacturers,or retail customers fail to comply with applicable laws,regulations,safety codes,employment practices,human rights standards,quality standards,environmental standards,production practices,or other obligations,norms,or ethical standards,our reputation and brand image could be harmed,and we could be exposed to litigation,investigations,enforcement actions,monetary liability,and additional costs that would harm our reputation,business,financial condition,results of operations and prospects.If we or our distribution partners do not successfully optimize,operate and manage the expansion of the capacity of our warehouse fulfillment centers,our business,financial condition,results of operations and prospects could be adversely affected.We have warehouse fulfillment centers located in Las Vegas,Nevada ~~,~~ **and** Breinigsville,Pennsylvania, ~~and the Netherlands and a short- term inventory storage location in Fontana,California,all of~~ which are managed by **our** ~~a single~~ distribution ~~partner~~ **partners** , **NFI and** GEODIS **,respectively** .If we or any distribution partners do not optimize and operate our warehouse fulfillment centers successfully and efficiently, ~~it~~ **this** could result in excess or insufficient fulfillment capacity,an increase in costs or impairment charges or harm our business in other ways.In addition,if we or any distribution partners do not have sufficient fulfillment capacity or experience a problem fulfilling orders in a timely manner,our consumers may experience delays in receiving their purchases,which could harm our reputation and our relationship with our consumers. **We** ~~As a result of the COVID- 19 pandemic,including an increase in orders,we~~ and our distribution partner may experience disruptions to the operations of our fulfillment centers,which may negatively impact our and our distribution partner' s ability to fulfill orders in a timely manner,which could harm our reputation,relationships with consumers and business,financial condition,results of operations and prospects.We have designed and established our own fulfillment center infrastructure,including customizing inventory and package handling software systems,which is tailored to meet the specific needs of our business.If we continue to add fulfillment and warehouse capabilities,add new businesses or categories with different fulfillment requirements or change the mix in products that we sell,our fulfillment network will become increasingly complex and operating it will become more challenging.Failure to successfully address such challenges in a cost- effective and timely manner could impair our ability to timely deliver purchases to our DTC consumers and merchandise inventory to our retail and ecommerce partners and could have an adverse effect on our reputation and ultimately,our business,financial condition,results of operations and prospects.Although we currently rely on our distribution ~~partner~~ **partners** ,we have **in the past and may in the future** ~~added~~ -- **add** ~~a~~ short- term warehouse fulfillment ~~center~~ **centers** ~~and may do so in the future~~ and / or other distribution capacity as our business continues to grow.We cannot assure you that we will be able to locate suitable facilities on commercially acceptable terms in accordance with our expansion plans,nor can we assure you that we will be able to recruit qualified managerial and operational personnel to support our expansion plans.If we are unable to secure new facilities for the expansion of our fulfillment operations,recruit qualified personnel to support any such facilities,or effectively control expansion- related expenses,our business,financial condition,results of operations and prospects could be adversely affected.If we grow faster than we anticipate,we may exceed our fulfillment center capacity sooner than we anticipate,we may experience problems fulfilling orders in a timely manner or our consumers may experience delays in receiving their purchases,which could harm our reputation and our relationships with our consumers,and we would need to increase our capital expenditures more than anticipated and in a shorter time frame than we currently anticipate.Our ability to expand our fulfillment center capacity,including our ability to secure suitable facilities and recruit qualified employees,may be ~~substantially~~ affected by ~~the spread of COVID- 19 and related governmental orders,as well as~~ macroeconomic conditions,and there may be delays or increased costs associated with such expansion.Many of the expenses and investments with respect to our fulfillment centers are fixed,and any expansion of such fulfillment centers will require additional investment of capital.We expect to incur higher capital expenditures in the future for our fulfillment center operations as our business continues to grow.We would incur such expenses and make such investments in advance of expected sales,and such expected sales may not occur.Any of these factors could have an adverse effect on our business,financial condition,results of operations and prospects.Shipping is a critical part of our business and any changes in our shipping arrangements or any interruptions in shipping could adversely affect our operating results.We primarily rely on one major vendor for our DTC shipping requirements and one major vendor for our inbound domestic freight.If we are not able to negotiate acceptable pricing and other terms with ~~this~~ **these** ~~vendor~~ **vendors** or ~~it~~ **they** ~~experiences~~ - **experience** performance problems or other difficulties, ~~it~~ **this** could negatively impact our operating results and our consumer experience.Shipping vendors have and may continue to impose shipping surcharges from time to time.In addition,our ability to receive inbound inventory efficiently and ship products to consumers and retailers may be negatively affected by inclement weather,fire,flood,power loss,earthquakes,labor disputes,acts of war or terrorism,trade embargoes,customs and tax requirements and similar factors.For example,strikes at major international shipping ports have in the past impacted our supply of inventory from our third- party manufacturers, ~~delays at ports caused by COVID- 19~~ and the escalating trade dispute between the United States and China has and may in the future lead to increased tariffs, **and** the revocation of current tariff exclusions for certain of our products,which may restrict the flow of ~~the~~ goods from China to the United States ~~.Additionally,for example,due to COVID- 19 lockdown restrictions in China in the second quarter of 2022,many of the ports shut down which has negatively impacted and may in the future negatively impact our ability to timely receive shipments of our products~~ .We are also subject to risks of damage or loss during delivery by our shipping vendors.If our products are not delivered in a timely fashion or are damaged or lost during the delivery process,our consumers could become dissatisfied and cease shopping on our site or retailer or third- party ecommerce sites,which could have an adverse effect on our business,financial condition,operating results and prospects.We are subject to risks related to online payment methods,including third- party payment processing- related risks.We currently accept payments using a variety of methods,including credit card,debit card,PayPal and gift cards.As we offer new payment options to consumers,we may be subject to additional regulations,compliance requirements,fraud and other risks.We also rely on third parties to provide payment processing services,and for certain payment methods,we pay interchange and other fees,which may increase over time and raise our operating costs and affect our ability to achieve or maintain profitability.We are also subject to payment card association operating rules and certification requirements,including the Payment Card Industry Data Security Standard,or PCI- DSS,and rules governing electronic funds transfers,which could change or be reinterpreted to make it difficult or impossible for us to comply.If we (or a third- party processing payment card transactions on our behalf) suffer a security breach affecting payment card information,we may have to pay onerous and significant fines,penalties and assessments arising out of the major card brands' rules and regulations,contractual indemnifications or liability contained in merchant agreements and similar contracts,and we may lose our ability to accept payment cards for payment for our goods and services,which could materially impact our operations and financial performance.Furthermore,as our business changes,we may be subject to different rules under existing standards,which may require new assessments that involve costs above what we currently pay for compliance.As we offer new payment options to consumers,including by way of integrating emerging mobile and other payment methods,we may be subject to additional regulations,compliance requirements and fraud.If we fail to comply with the rules or requirements of any provider of a payment method we accept,if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept,or if a data breach occurs relating to our payment systems,we may,among other things,be subject to fines or higher transaction fees and may lose,or face restrictions placed upon,our ability to accept credit card payments from consumers or facilitate other types of online payments.We also occasionally receive orders placed with fraudulent data and we may ultimately be held liable for the unauthorized use of a cardholder' s card number in an illegal activity and be required by card issuers to pay charge- back fees.Charge- backs result not only in our loss of fees earned with respect to the payment,but also leave us liable for the underlying money transfer amount **.If our charge- back rate becomes excessive,card associations also may require us to pay fines or refuse to process our transactions.In addition,we may be subject to additional fraud risk if third- party service providers or our employees fraudulently use consumer information for their own gain or facilitate the fraudulent use of such information.Overall,we may have little recourse if we process a criminally fraudulent transaction.If any of these events were to occur,our business,financial condition,results of operations and prospects could be adversely affected** . Risks Related to Legal and Governmental Regulation Health and safety incidents or advertising inaccuracies or product mislabeling may have an adverse effect on our business by exposing us to lawsuits, product recalls or regulatory enforcement actions, increasing our operating costs and reducing demand for our product offerings. Selling Diapers and Wipes, Skin and Personal Care and Household and Wellness products and baby clothing and nursery bedding products involves inherent legal and other risks, and there is increasing governmental scrutiny of and public awareness regarding product safety. Illness, injury or death related to allergens, illnesses, foreign material contamination or other product safety incidents caused by our products, or involving our suppliers, could result in the disruption or discontinuance of sales of these products or our relationships with such suppliers, or otherwise result in increased operating costs, regulatory enforcement actions or harm to our reputation. For example, in 2015 multiple class action lawsuits were filed against us claiming that certain of our products, including our sunscreen, were ineffective and were not " natural, " which also resulted in an investigation by the Food and Drug Administration, or the FDA. In 2016 multiple class action lawsuits were filed against us claiming that we misled buyers about ingredients in our laundry detergent, dish soap and multi- surface cleaner. In 2022, a class action lawsuit was filed against us alleging that our plant- based claim on certain wipes products was deceptive to purchasers. In addition, we voluntarily recalled certain of our baby wipes and baby powder products in 2017. We also voluntarily recalled one of our bubble bath products in January 2021 due to concerns about potential contamination. Despite successfully completing these recalls, these incidents negatively affected our brand image and required significant time and resources to address. Shipment of adulterated or misbranded products, even if inadvertent, can result in criminal or civil liability. Such incidents could also expose us to product liability, negligence, breach of warranty, false advertising or other lawsuits, including consumer class action lawsuits. Any claims brought against us may exceed or be outside the scope of our existing or future insurance policy coverage or limits. Any judgment against us that is more than our policy limits or not covered by our policies or not subject to insurance would have to be paid from our cash reserves, which would reduce our capital resources. The occurrence of adverse reactions, ineffectiveness or other safety incidents could also adversely affect the price and availability of affected materials, resulting in higher costs, disruptions in supply and a reduction in our sales. Furthermore, any instances of contamination, defects, or misbranding or other regulatory noncompliance, whether or not caused by our actions, could compel us, our suppliers, our retail or ecommerce customers, or our consumers, depending on the circumstances, to conduct a recall in accordance with FDA, the Consumer Product Safety Commission, or CPSC, the USDA, the U. S. Environmental Protection Agency, or EPA, or other federal regulations and policies, and comparable state laws, regulations and policies. Product recalls could result in significant losses due to their costs, the destruction of product inventory, lost sales due to the unavailability of the product for a period of time and potential loss of existing retail or ecommerce partners or consumers and a potential negative impact on our ability to attract new consumers due to negative consumer experiences or because of an adverse impact on our brand and reputation. The costs of a recall could be outside the scope of our existing or future insurance policy coverage or limits. In addition, companies that sell Diapers and Wipes, Skin and Personal Care, Household and Wellness and other products have been subject to targeted, large-scale tampering as well as to opportunistic, individual product tampering, and we, like any such company, could be a target for product tampering. Forms of tampering could include the introduction of foreign material, chemical contaminants and pathological organisms into products, as well as product substitution. Governmental regulations require companies like us to analyze, prepare and implement mitigation strategies specifically to address tampering designed to inflict widespread public health harm. If we do not adequately address the possibility, or any actual instance, of product tampering, we could face possible seizure or recall of our products and the imposition of civil or criminal sanctions, which could have an adverse effect on our business, financial condition, results of operations and prospects. Further, many products that we sell carry or are advertised with claims as to their origin, ingredients or health, wellness, environmental or other benefits or attributes, including, by way of example, the use of the terms " natural ", " organic ", " clean ", " clean conscious ", " sustainable ", " plant- based " or " naturally derived, " or similar synonyms or implied statements relating to such benefits or attributes. Although the FDA, FTC, and the USDA each has issued statements regarding the appropriate use of the word " natural, " there is no single, U. S. government regulated definition of the term " natural " or related concepts like " naturally derived " for use in the personal care industry, which is true for many other adjectives common in the clean conscious product industry. The resulting uncertainty has led to legal challenges. Plaintiffs have commenced legal actions against numerous companies that market " natural ", " naturally derived " or " clean " products or ingredients, asserting false, misleading and deceptive advertising and labeling and breach of warranty claims, including claims alleging the presence of genetically modified or synthetic ingredients, including synthetic or highly processed forms of otherwise natural ingredients. In limited circumstances, both the FDA and FTC have taken regulatory action against products labeled or advertised " natural " but that nonetheless contain synthetic ingredients or components. Should we become subject to similar claims, consumers may avoid purchasing products from us or seek alternatives, even if the basis for the claim is unfounded, and the cost of defending against any such claims could be significant. For example, a class action lawsuit was filed against us in 2022 alleging that our plant- based claim on certain wipes products was deceptive to purchasers. While we believe the claim is baseless, the cost of defending the lawsuit ~~will be~~ **has been** significant. Any loss of confidence on the part of consumers in the truthfulness of our labeling, advertising or ingredient claims would be difficult and costly to overcome and may significantly reduce our brand value. Any of these events could adversely affect our reputation and brand and decrease our sales, which could have an adverse effect on our business, financial condition, results of operations and prospects. The USDA enforces federal standards for organic production and use of the term " organic " on product labeling for food and other agricultural products. These laws prohibit a company from selling or labeling products as organic unless they are produced and handled in accordance with the applicable federal law. Failure to comply with these requirements may subject us to liability or regulatory enforcement. Consumers may also pursue state law claims challenging use of the organic label as being intentionally mislabeled or misleading or deceptive to consumers. In addition, certain of the cleaning products, including the disinfectant products, we sell require approval from and registration with the EPA prior to sale. Products that expressly or impliedly claim to control microorganisms that pose a threat to human health may be subject to additional regulatory scrutiny and need to be supported by additional efficacy data. Should we advertise or market these EPA regulated products with claims that are not permitted by the terms of their registration or are otherwise false or misleading, the EPA may be authorized to take enforcement action to prevent the sale or distribution of disinfectant products. False or misleading marketing claims concerning a product' s EPA registration or its efficacy may also create the risk for challenges under state law at the consumer level. We are subject to extensive governmental regulation and we may incur material liabilities under, or costs in order to comply with, existing or future laws and regulation, and our failure to comply may result in enforcements, recalls, and other adverse actions. We are subject to a broad range of federal, state, local, and foreign laws and regulations intended to protect public and worker health and safety, natural resources, the environment and consumers. Our operations are subject to regulation by the Occupational Safety and Health Administration, or OSHA, the FDA, the CPSC, the USDA, the FTC, EPA, and by various other federal, state, local and foreign authorities regarding the manufacture, processing, packaging, storage, sale, order fulfillment, advertising, labeling, import and export of our products. Certain of the cleaning products, including the disinfectant products, we sell may require EPA registration and approval prior to sale. In addition, we and our manufacturing partners are subject to additional regulatory requirements, including environmental, health and safety laws and regulations administered by the EPA, state, local and foreign environmental, health and safety legislative and regulatory authorities and the National Labor Relations Board, covering such areas as discharges and emissions to air and water, the use, management, disposal and remediation of, and human exposure to, hazardous materials and wastes, and public and worker health and safety. Violations of or liability under any of these laws and regulations may result in administrative, civil or criminal fines, penalties or sanctions against us, revocation or modification of applicable permits, licenses or authorizations, environmental, health and safety investigations or remedial activities, voluntary or involuntary product recalls, warning or untitled letters or cease and desist orders against operations that are not in compliance, among other things. Such laws and regulations generally have become more stringent over time and may become more so in the future, and we may incur (directly, or indirectly through our manufacturing partners) material costs to comply with current or future laws and regulations or in any required product recalls. Liabilities under, and / or costs of compliance, and the impacts on us of any non- compliance, with any such laws and regulations could have an adverse effect on our business, financial condition, results of operations and prospects. In addition, changes in the laws and regulations to which we are subject, or in the prevailing interpretations of such laws and regulations by courts and enforcement authorities, could impose significant limitations and require changes to our business, which may increase our compliance expenses, make our business more costly and less efficient to conduct, and compromise our growth strategy, which could have an adverse effect on our business, financial condition, results of operations and prospects. Our products are also subject to state laws and regulations, such as California' s Proposition 65, or Prop 65, which requires a specific warning on any product that contains a substance listed by the State of California as having been found to cause cancer or birth defects, unless the level of such substance in the product is below a safe harbor level. We have in the past been subject to lawsuits brought under Prop 65, and if we fail to comply with Prop 65 in the future, it may result in lawsuits and regulatory enforcement that could have a material adverse effect on our reputation, business, financial condition, results of operations and prospects. Further, the inclusion of warnings on our products to comply with Prop 65 could also reduce overall consumption of our products or leave consumers with the perception (whether or not valid) that our products do not meet their health and wellness needs, all of which could adversely affect our reputation, business, financial condition, results of operations and prospects. These developments, depending on the outcome, could have an adverse effect on our reputation, business, financial condition, results of operations and prospects. Changes in existing laws or regulations or related official guidance, or the adoption of new laws or regulations or guidance, may increase our costs and otherwise adversely affect our business, financial condition, results of operations and prospects. The manufacture and marketing of Diapers and Wipes, Skin and Personal Care and Household and Wellness products is highly regulated. We and our suppliers and manufacturers are subject to a variety of laws and regulations. These laws and regulations apply to many aspects of our business, including the manufacture, packaging, labeling, import, distribution and order fulfillment, advertising, sale, quality and safety of our products, as well as the health and safety of our employees and the protection of the environment. In the United States, we are subject to regulation by various government agencies, including OHSA, the FDA, the USDA, the FTC, the CPSC, and the EPA, the California Air Resources Board, or CARB, as well as various other federal, state and local agencies. We are also regulated outside the United States by various international regulatory bodies. In addition, we are subject to certain standards, such as the Global Food Safety Initiative, standards and review by voluntary organizations, such as BBB National Programs' National Advertising Division. We could incur costs, including fines, penalties and third- party claims, because of any violations of, or liabilities under, such requirements, including any competitor or consumer challenges relating to compliance with such requirements. For example, in connection with the marketing and advertisement of our products, we could be the target of claims relating to false or deceptive advertising, including under the auspices of the FTC and the consumer protection statutes of some states. The regulatory environment in which we operate has changed in the past could change significantly and adversely in the future. For example, in December 2009, the FTC substantially revised its Guides Concerning the Use of Endorsements and Testimonials in Advertising, or " Endorsement Guides, " to eliminate a safe harbor principle that formerly recognized that advertisers could publish consumer testimonials that conveyed truthful but extraordinary results from using the advertiser' s product as long as the advertiser clearly and conspicuously disclosed that the endorser' s results were not typical. Similarly, in 2012, the FTC announced revisions to its Guides For The Use Of Environmental Marketing Claims, or the " Green Guides, " that assist advertisers in avoiding the dissemination of false or deceptive environmental claims for their products. The Green Guides revisions introduced new and proscriptive guidance regarding advertisers' use of product certifications and seals of approval, " recyclable " claims, " renewable materials " claims, " carbon offset " claims and other environmental benefit claims. Although we strive to adapt our marketing efforts to evolving regulatory requirements and related guidance, we may not always anticipate or timely identify changes in regulation or official guidance that could impact our business, with the result that we could be subjected to litigation and enforcement actions that could adversely affect our business, financial condition, results of operations and prospects. Future changes in regulations and related official guidance, including the Endorsement Guides and Green Guides, could also introduce new restrictions that impair our ability to market our products effectively and place us at a competitive disadvantage with competitors who depend less than we do on environmental marketing claims and social media influencer relationships. Moreover, any change in manufacturing, advertising, labeling or packaging requirements for our products may lead to an increase in costs or interruptions in production, either of which could adversely affect our business, financial condition, results of operations and prospects. New or revised government laws, regulations or guidelines could result in additional compliance costs and, in the event of non- compliance, civil remedies, including fines, injunctions, withdrawals, recalls or seizures and confiscations, as well as potential criminal sanctions, any of which could have an adverse effect on our business, financial condition, results of operations and prospects. Failure by our network of retail and ecommerce partners, suppliers or manufacturers to comply with product safety, environmental or other laws and regulations, or with the specifications and requirements of our products, may disrupt our supply of products and adversely affect our business. If our network of retail and ecommerce partners, suppliers or manufacturers fail to comply with environmental, health and safety or other laws and regulations, or face allegations of non- compliance, their operations may be disrupted and our reputation could be harmed. Additionally, our retail and ecommerce partners, suppliers and manufacturers are required to maintain the quality of our products and to comply with our standards and specifications. In the event of actual or alleged non- compliance, we might be forced to find alternative retail or ecommerce partners, suppliers or manufacturers and we may be subject to lawsuits and / or regulatory enforcement actions related to such non- compliance by the suppliers and manufacturers. As a result, our supply of Diapers and Wipes, Skin and Personal Care and Household and Wellness products could be disrupted or our costs could increase, which could adversely affect our business, financial condition, results of operations and prospects. The failure of any partner or manufacturer to produce products that conform to our standards could adversely affect our reputation in the marketplace and result in product recalls, product liability claims, government or third- party actions and economic loss. For example, a manufacturer' s failure to meet cGMPs, could result in the delivery of product that is subject to a product recall, product liability litigation, or government investigations. Additionally, actions we may take to mitigate the impact of any disruption or potential disruption in our supply of materials or finished inventory, including increasing inventory in anticipation of a potential supply or production interruption, could have an adverse effect on our business, financial condition, results of operations and prospects. Class action litigation, other legal claims and regulatory enforcement actions could subject us to liability for damages, civil and criminal penalties and other monetary and non- monetary liability and could otherwise adversely affect our reputation, business, financial condition, results of operations and prospects. We operate in a highly regulated environment with constantly evolving legal and regulatory frameworks. Consequently, we are subject to a heightened risk of consumer class action litigation, other legal claims, government investigations or other regulatory enforcement actions. The product marketing and labeling practices of companies operating in the Diapers and Wipes, Skin and Personal Care, Household and Wellness and clean conscious products segments of the marketplace receive close scrutiny from the private plaintiff' s class action bar and from public consumer protection agencies. Accordingly, there is risk that consumers will bring class action lawsuits and that the FTC and / or state attorneys general or other consumer protection law enforcement authorities will bring legal actions concerning the truth and accuracy of our product marketing and labeling claims. Examples of causes of action that may be asserted in a consumer class action lawsuit include fraud, false advertising, unfair and deceptive practices, negligent misrepresentation, unjust enrichment, breach of warranty and breach of state consumer protection statutes. We have been targeted with such litigation in the past. For example, in 2015, multiple class action lawsuits were filed against us claiming that certain of our products, including our sunscreen, were ineffective and were not " natural. " In 2017, we settled these class action lawsuits by agreeing to labeling changes and a $ 7. 4 million settlement fund. In 2016, multiple class action lawsuits were filed against us claiming that we misled buyers about ingredients in our laundry detergent, dish soap and multi- surface cleaner. In 2017, we settled these class action lawsuits by agreeing to marketing or reformulating changes and a settlement fund of $ 1. 6 million. In 2022, a class action lawsuit was filed against us alleging that our plant- based claim on certain wipes products was deceptive to purchasers. While we believe the claim is baseless, the cost of defending the lawsuit ~~will be~~ **has been** significant. We have also been the subject of litigation claiming our labels contain inaccurate or misleading information. In response, we have updated the language on certain of our labels. Changes in our labels could reduce overall consumption of our products or leave consumers with the perception (whether or not valid) that our products do not meet their safety, efficacy or clean conscious needs, which could adversely affect our reputation, business, financial condition, results of operations and prospects. Although we have implemented policies and procedures designed to ensure compliance with existing laws and regulations, there can be no assurance that our employees, consultants, independent contractors, suppliers, manufacturers or retail or ecommerce partners will not violate our policies and procedures. Moreover, a failure to maintain effective control processes could lead to violations, unintentional or otherwise, of laws and regulations. Legal claims, government investigations or regulatory enforcement actions arising out of our failure or alleged failure to comply with applicable laws and regulations could subject us to civil and criminal penalties and liabilities that could adversely affect our product sales, reputation, financial condition and operating results. These liabilities could include obligations to reformulate products or remove them from the marketplace, as well as obligations to disgorge revenue and to accept burdensome injunctions that limit our freedom to market our products. In addition, the costs and other effects of defending potential and pending litigation and administrative actions against us may be difficult to determine and could adversely affect our reputation, business, brand image, financial condition, results of operations and prospects. Furthermore, although we believe that the extent of our insurance coverage is consistent with industry practice, any claim under our insurance policies may be subject to certain exceptions, may not be honored fully, in a timely manner, or at all, and we may not have purchased sufficient insurance to cover all losses incurred. If we were to incur substantial liabilities, as a result of civil or criminal penalties or otherwise, or if our business operations were interrupted for a substantial period of time, we could incur costs and suffer losses. Such liabilities, including inventory and business interruption losses, may not be covered by our insurance policies. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors, our board committees or as executive officers. We do not know, however, if we will be able to maintain existing insurance with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our cash position and results of operations. Additionally, in the future, insurance coverage may not be available to us at commercially acceptable premiums, or at all. Litigation or legal proceedings could expose us to significant liabilities and have a negative impact on our reputation or business. We are, and may in the future become, party to various claims and litigation proceedings. We evaluate these claims and litigation proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we may establish reserves, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from our assessments and estimates. For a description of our material pending legal proceedings, please see Note 11, Commitments and Contingencies, to the consolidated financial statements included elsewhere in this Annual Report on Form 10- K. Even when not merited, the defense of these lawsuits may divert our management' s attention, and we may incur significant expenses in defending these lawsuits. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some of these legal disputes may result in adverse monetary damages, penalties or injunctive relief against us, which could have an adverse effect on our business, financial condition, results of operations and prospects. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future. Furthermore, while we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if the insurers prevail, the amount of our recovery. Increasing scrutiny and evolving expectations from stakeholders with respect to our ESG practices, performance, commitments and disclosures may impact our reputation, increase our costs and impact our access to capital. Stakeholder scrutiny related to our ESG practices, commitments, performance and disclosures continues to increase. We have adopted certain policies and programs, including with respect to responsible ingredients and sustainability, safety and health, human capital management, social performance and community relations, diversity and inclusion and supply chain code of conduct. Our stakeholders might not be satisfied with our ESG practices, commitments, performance and / or disclosures, or the speed of their adoption, implementation and measurable success. Investor advocacy groups, certain institutional investors, investment funds, creditors and other influential investors are increasingly focused on our ESG practices and in recent years have placed increasing importance on the ESG implications of their investments and lending decisions. If we do not meet our stakeholders' evolving expectations, our reputation, access to and cost of capital, ~~and~~ stock price **, and ability to attract and retain customers, consumers and talent** could be negatively impacted. Organizations that provide information to investors and financial institutions on ESG performance and related matters have developed quantitative and qualitative data collection processes and ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. In addition, many investors have created their own proprietary ratings that inform their investment and voting decisions. Unfavorable ratings or assessment of our ESG practices, including our compliance with certain disclosure standards and frameworks, may lead to negative investor sentiment toward us, which could have a negative impact on our stock price and our access to and cost of capital. As we continue to focus on our ESG practices, commitments, performance and disclosures, and as ESG- related regulations and disclosure standards and frameworks continue to evolve, we have expanded our public disclosures in these areas. **For example, in 2022, we published our first ESG Investor Tear Sheet.** Such disclosures may reflect goals, aspirations, commitments, cost estimates and other expectations and assumptions, including over long timeframes, which are **based on available data and estimates,** necessarily uncertain **, may be refined or expanded over time,** and may not be realized. ~~New government~~ **Climate and other ESG disclosure** regulations **, as well as pressure from customers, investors, and other stakeholders to provide ESG- related data or adopt certain ESG policies, may impose additional financial and administrative burdens and increase liability risk. In addition, our climate or other ESG claims or goals** could ~~also~~ result in **additional regulatory** ~~new or more stringent forms of ESG oversight and expanded~~ disclosure **obligations** ~~. The SEC proposed climate- change related disclosure rules that~~ , **or** ~~if adopted, would require significant disclosure regarding GHG emissions and would require significant time and expense~~ **expose** ~~to collect and prepare~~ the **Company** ~~information which may need~~ to ~~be gathered to satisfy such new disclosure requirements and any~~ regulatory ~~requirements~~ **, customer,** ~~for~~ - **or other stakeholder scrutiny** ~~independent attestation as to such disclosures~~ . Further, the voluntary disclosure standards or frameworks we choose to align with are evolving and may change over time and our interpretation of such disclosure standards and frameworks may differ from those of others, either of which may result in a lack of consistent or meaningful comparative data from period to period and / or significant revisions to our goals and aspirations or reported progress in achieving such goals and aspirations. Ensuring that there are adequate systems and processes in place to comply with the various ESG tracking and disclosure obligations will require management' s time and expense. If we do not adapt to or comply with government regulations, investor or stakeholder expectations, including with respect to evolving disclosure standards and frameworks, or if we are perceived to have not responded appropriately, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and our business, financial condition, cost of capital and / or stock price could be adversely affected. ~~In addition, our customers and consumers may require that we implement certain additional ESG procedures or standards before they will start or continue to do business with us, which could lead to preferential buying based on our ESG practices compared to our competitors' ESG practices.~~ Further, being associated with activities by suppliers, contractors or other affiliates that have or are perceived to have individual or cumulative adverse impacts on the environment, climate, biodiversity and land management, water access and management, human rights or cultural heritage could negatively affect our reputation and impose additional costs. We (and our third parties) are subject to stringent and changing domestic and foreign laws, regulations, **and** rules, contractual data privacy and security obligations **, industry standards** , policies and other obligations related to data privacy and security. The actual or perceived failure by us, our consumers, partners or vendors to comply with obligations could lead to regulatory investigations or actions; litigation; fines and penalties; have an adverse effect on our business, financial condition, results of operations and prospects disruptions of our business operations; reputational harm; loss of revenue or profits; loss of customers or sales; and other adverse business consequences. In the ordinary course of business we process, and our vendors process on our behalf, personal information and other sensitive information, including proprietary and confidential business information, trade secrets, intellectual property, sensitive third-party information, and other information necessary to provide and deliver our products through our DTC channel to operate our business, for legal and marketing purposes, and for other business- related purposes. Our data Processing activities subject us to numerous data privacy and security obligations, such as various laws, regulations, guidance, industry standards, external and internal privacy and security policies, contracts, and other obligations that govern the Processing of personal information by us and on our behalf. Data privacy and information security has become a significant issue in the United States, countries in Europe, and in many other countries in which we operate and where we offer our products and services. The legal and regulatory framework for privacy and security issues is rapidly evolving and is expected to increase our compliance costs and exposure to liability. There are numerous federal, state, local, and foreign laws, orders, codes, regulations and regulatory guidance regarding privacy, information security and processing (which we collectively refer to as Data Protection Laws), the number and scope of which is changing, subject to differing applications and interpretations, and which may be inconsistent among jurisdictions, or in conflict with other rules, laws or Data Protection Obligations (defined below). We expect that there will continue to be new Data Protection Laws and Data Protection Obligations, and we cannot yet determine the impact such future Data Protection Laws may have on our business. Any significant change to Data Protection Laws and Data Protection Obligations, including without limitation, regarding the manner in which the express or implied consent of consumers for processing is obtained, could increase our costs and require us to modify our operations, possibly in a material manner, which we may be unable to complete and may limit our ability to store and process consumer information and operate our business. We are ~~or may~~ also ~~be~~ subject to the terms of our external and internal privacy and security policies, codes, representations, certifications, industry standards, publications and frameworks (which we collectively refer to as Privacy Policies) and contractual obligations to third parties related to privacy, information security and processing, including contractual obligations to indemnify and hold harmless third parties from the costs or consequences of non- compliance with Data Protection Laws or other obligations (which we collectively refer to as Data Protection Obligations). In the United States, these include rules and regulations promulgated under the authority of the Federal Trade Commission, the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the California Consumer Privacy Act, or CCPA, the Telephone Consumer Protection Act, or TCPA, the Controlling the Assault of Non- Solicited Pornography And Marketing Act, or CAN- SPAM, other state and federal laws relating to privacy and data security, and other similar laws (e. g., wiretapping laws). The TCPA imposes ~~specific~~ **various consumer consent** requirements ~~relating to~~ **and other restrictions on certain** ~~marketing~~ **telemarketing** ~~to individuals~~ **activity and other communications with consumers** using technology such as telephones, mobile devices, and text messages. TCPA violations can result in significant financial penalties, as businesses can incur penalties or criminal fines imposed by the Federal Communications Commission or be fined up to $ 1, 500 per violation through private litigation or state attorneys general or other state actor enforcement. Class action suits are the most common method for private enforcement. Many states have enacted telemarketing laws and regulations that are even more proscriptive than the TCPA and that pose additional litigation and regulatory enforcement risks. In ~~addition~~ **the past few years, numerous U. S. states — including California, Virginia, Colorado, Connecticut, and Utah — have enacted comprehensive privacy laws that impose certain obligations on covered businesses, including providing specific disclosures in privacy notices and affording residents with certain rights concerning their personal data. As applicable, such rights may include the right to access, correct, or delete certain personal data, and to opt- out of certain data processing activities, such as targeted advertising, profiling, and automated decision- making. The exercise of these rights may impact our business and ability to provide our products and services. Certain states also impose stricter requirements for processing certain personal data, including sensitive information, such as conducting data privacy impact assessments. These state laws allow for statutory fines for noncompliance. For example** , the CCPA **(as amended by the California Privacy Rights Act of 2020)** applies to personal information of consumers, business representatives, and employees **who are** ~~, and requires companies that process information of~~ California residents **, and requires businesses** to make specific disclosures **in privacy notices** ~~to consumers about their information collection, use~~ and **honor requests of such individuals** ~~sharing practices, and allows consumers~~ to exercise certain privacy rights **, such as those noted below** . The CCPA provides for ~~civil penalties~~ **administrative fines** of up to $ 7, 500 per **intentional** violation and allows private litigants affected by certain data breaches to recover significant statutory damages. **Similar** ~~The CCPA may increase our compliance costs and potential liability. In addition, the California Privacy Rights Act of 2020, or CPRA, expands the CCPA' s requirements, including giving California residents the ability to limit the use of their sensitive information, by adding a new right for individuals to correct their personal information, and establishing a new California Privacy Protection Agency to implement and enforce the law~~ **laws** ~~. Other jurisdictions in the United States have passed or~~ are ~~proposing comprehensive privacy~~ **being considered in several other states, as well as at the federal and local levels and we expect more states to pass similar** laws ~~similar to the CCPA. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation~~ in the **future** ~~United States. For example, Virginia passed the Consumer Data Protection Act, and Colorado passed the Colorado Privacy Act, both of which differ from the CPRA and become effective in 2023~~ . If and as we become subject to new data privacy laws, the risk of enforcement action against us could increase because we may become subject to additional obligations, and the number of individuals or entities that can initiate actions against us may increase (including individuals, via a private right of action, and state actors) and these developments further complicate compliance efforts, and increase legal risk and compliance costs for us, and the third parties upon whom we rely. Additionally, under various Data Protection Laws and Data Protection Obligations, we may be required to obtain certain consents to process personal information. **For example, some of our data processing practices may be challenged under wiretapping laws, if we obtain consumer information from third parties through various methods, including chatbot providers, or via third- party marketing pixels. These practices may be subject to increased challenges by class action plaintiffs.** Our inability or failure to do so could result in adverse consequences **, including class action litigation and mass arbitration demands** . In addition, we are also subject to the Payment Card Industry Data Security Standard (" PCI DSS "). The PCI DSS requires companies to adopt certain measures to ensure the security of cardholder information, including using and maintaining firewalls, adopting proper password protections for certain devices and software, and restricting data access. Noncompliance with PCI- DSS can result in penalties ranging from $ 5, 000 to $ 100, 000 per month by credit card companies, litigation, damage to our reputation, and revenue losses. We may also rely on vendors to process payment card data, and those vendors may be subject to PCI DSS, and our business may be negatively affected if our vendors are fined or suffer other consequences as a result of PCI DSS noncompliance. Outside the United States, an increasing number of laws, regulations, and industry standards apply to data privacy and security. For example, in Canada, the Personal Information Protection and Electronic Documents Act (" PIPEDA ") and various related provincial laws, as well as Canada' s Anti- Spam

Legislation (" CASL "), may apply to our operations and the European Union' s General Data Protection Regulation, or GDPR, and the United Kingdom' s GDPR, or UK GDPR, imposes strict requirements for processing the personal data of individuals. For example, the GDPR introduced strict requirements for processing the personal data of European Union data subjects. Companies that must comply with the GDPR face increased compliance obligations and risk, including more robust regulatory enforcement of data protection requirements, an order prohibiting processing of European data subject personal data and potential fines for noncompliance of up to € 20 million or 4 % of the annual global revenues of the noncompliant company, whichever is greater. European data protection laws including the GDPR also generally prohibit the transfer of personal data from Europe, including the European Economic Area, or EEA, the United Kingdom, and Switzerland, to the United States and most other countries unless the parties to the transfer have established a legal basis for the transfer and implemented specific safeguards to protect the transferred personal data. Also, following the expiry of the post- Brexit transitional arrangements, the United Kingdom Information Commissioner' s Office is not able to be our " lead supervisory authority " in respect of any " cross border processing " for the purposes of the GDPR. For so long as we are unable to, and / or do not, designate a lead supervisory authority in an EEA member state, with effect from January 1, 2021, we are not able to benefit from the GDPR' s " one stop shop " mechanism. Amongst other things, this would mean that, in the event of a violation of the GDPR affecting data subjects across the United Kingdom and the EEA, we could be investigated by, and ultimately fined by the United Kingdom Information Commissioner' s Office and the supervisory authority in each and every EEA member state where data subjects have been affected by such violation. Other countries have also passed or are considering passing laws requiring local data residency and / or restricting the international transfer of data. The European Commission released a set of Standard Contractual Clauses (SCCs), that are designed to be a valid mechanism by which entities can transfer personal data out of the EEA to jurisdictions that the European Commission has not found to provide an adequate level of protection. Currently, these Standard Contractual Clauses are a valid mechanism to transfer personal data outside of the EEA. Additional regulatory guidance has been released that seeks to imposes additional obligations on companies seeking to rely on SCCs, such as conducting transfer impact assessments to determine whether additional security measures are necessary to protect the at- issue personal data. Moreover, due to potential legal challenges, there exists some uncertainty regarding whether the Standard Contractual Clauses will remain a valid mechanism for transfers of personal data out of the EEA. As such, any transfers by us or our vendors of personal information from Europe may not comply with European data protection law; may increase our exposure to the GDPR' s heightened sanctions for violations of its cross- border data transfer restrictions; may increase exposure to regulatory actions, substantial fines, and injunctions against processing or transferring personal data from Europe or elsewhere; and may reduce demand for our products from companies subject to European data protection laws. Companies that transfer personal data out of the EEA and UK to other jurisdictions, particularly to the United States, are subject to increased scrutiny from regulators, individual litigants, and activist groups. Some European regulators have ordered certain companies to suspend or permanently cease certain transfers out of Europe for allegedly violating the GDPR' s cross- border data transfer limitations. The inability to import personal data to the United States could significantly and negatively impact our business operations, limiting our ability to collaborate with parties that are subject to European and other data privacy and security laws; or requiring us to increase our personal data processing capabilities and infrastructure in Europe and / or elsewhere at significant expense. Additionally, other countries outside of Europe have enacted or are considering enacting similar cross- border data transfer restrictions and laws requiring local data residency, which could increase the cost and complexity of delivering our products and operating our business. Additionally, ~~some providers of consumer devices~~ **individuals are increasingly resistant to the collection** , ~~web browsers~~ **use,** and ~~application stores~~ **sharing of personal data to deliver targeted advertising. Third- party platforms** have ~~implemented,~~ **introduced (** or ~~announced plans~~ - **plan** to ~~implement, means~~ **introduce) measures** to **provide** ~~make it easier for Internet~~ users ~~to prevent the placement of cookies or to block~~ **with more privacy controls over targeted advertising activities, and regulators (including in** ~~other~~ -- **the** ~~tracking~~ **EEA / UK) are heavily scrutinizing the use of** technologies **used to deliver such advertisements. Our business is materially reliant on revenue from behavioral** , ~~require additional consents~~ **interest- based** , **or tailored advertising (collectively, " targeted advertising "), but delivering targeted advertisements is becoming increasingly difficult due to changes to** ~~or~~ **our** ~~limit the~~ ability to ~~track~~ **gather information about** user **behavior through** ~~activity, which could if widely adopted result in the use of~~ third- party ~~cookies~~ **platforms, new laws** and **regulations, and consumer resistance. Major technology platforms on which we rely to gather information about consumers have adopted or proposed measures to provide consumers with additional control over the collection, use, and sharing of** ~~other~~ - **their personal data for targeted advertising purposes** ~~methods of online tracking becoming significantly less effective~~ . For example, **in 2021,** Apple **began allowing** ~~introduced an iOS update in April 2021 that allowed~~ users to more easily opt- out of **activity** tracking ~~of activity~~ across devices, which **has impacted and** may **continue to** impact **our** business. **In February 2022, Google announced similar plans to adopt additional privacy controls on its Android devices to allow users to limit sharing of their data with third parties and reduce cross- device tracking for advertising purposes. Additionally,** Google has announced that it ~~will introduce similar changes~~ **intends to phase out third- party cookies** in ~~late 2021~~ **its Chrome browser** , which could **make it more difficult for us to target advertisements. Other browsers, such as Firefox and Safari,** have ~~a~~ **already adopted** similar **measures** ~~negative impact on our business. Individuals may increasingly resist our collecting, using, and sharing of personal data to deliver targeted advertising. Individuals are increasingly becoming aware of options related to consent, " do not track " mechanisms, and " ad- blocking " software, any of which could materially impact our ability to collect personal data and deliver relevant promotions or media. We may be required to change the way we market our products. Any of these developments could impair our ability to reach new or existing customers or otherwise negatively affect our operations~~ . In addition ~~to the EU GDPR~~ , ~~European~~ legislative proposals and present laws and regulations ~~apply to~~ **regulate the use of** cookies and ~~similar~~ **other** tracking technologies, electronic communications, and marketing. ~~In~~ **For example, in** the ~~EU~~ **EEA** and the UK, regulators are increasingly focusing on compliance with requirements related to the **targeted** ~~online~~

~~behavioral~~ advertising ecosystem **. European regulators have issued significant fines in certain circumstances where the regulators alleged that appropriate consent was not obtained in connection with targeted advertising activities** . It is anticipated that the ePrivacy Regulation and national ~~implement~~ **implementing** laws will replace the current national laws ~~that implement~~ **implementing** the ePrivacy Directive **, which** ~~that governs electronic communications. Compliance with these laws~~ may require us to make significant operational changes ~~, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, and subject us to liabilities~~ . **In** ~~Outside of Europe, other~~ -- **the United States** ~~laws are further regulating targeted advertising~~ , **the CCPA, for** ~~making certain online advertising activities more difficult and subject to additional scrutiny. For~~ example, ~~the CCPA~~ grants California residents the right to opt- out of a company' s sharing of ~~personally~~ -- **personal data** ~~identifiable information~~ for advertising purposes in exchange for money or other valuable consideration **,** ~~. Laws~~ and ~~regulations regarding~~ **requires covered businesses to honor user- enabled browser signals from the Global Privacy Control. Partially as a result of** ~~the~~ **these developments, individuals are becoming increasingly resistant to the collection,** use **, and sharing of personal data to deliver targeted advertising. Individuals are now more aware of options related to consent, " do not track " mechanisms (such as browser signals from the Global Privacy Control), and " ad- blocking " software to prevent the collection of their personal data for targeted advertising purposes. As a result, we may be required to change the way we market our products, and any** of these **developments** ~~cookies and other current online tracking and advertising practices~~ or ~~a loss in~~ **changes could materially impair** our ability to **reach new** ~~make effective use of services that employ such technologies could increase our~~ - **or** ~~costs of~~ **existing customers or otherwise negatively affect our** operations ~~and limit our ability to acquire new consumers on cost- effective terms, which, in turn, could have an adverse effect on our business, financial condition, results of operations and prospects~~ . We are also bound by contractual data privacy and security obligations related to data privacy and security, and our efforts to comply with such obligations may not be successful. For example, certain privacy laws, such as the GDPR and the CCPA, require our customers to impose specific contractual restrictions on their service providers. We publish privacy policies, marketing materials and other statements, such as compliance with certain certifications or self- regulatory principles, regarding data privacy and security. If these policies, materials or statements are found to be deficient, lacking in transparency, deceptive, unfair, or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators or other adverse consequences. Our obligations related to data privacy and security **(and consumers' data privacy expectations)** are quickly changing, becoming increasingly stringent and creating regulatory uncertainty as to the effective future legal framework. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or in conflict among jurisdictions. Preparing for and complying with these obligations requires us to devote significant resources (including, without limitation, financial and time- related resources), which may necessitate changes to our information technologies, systems, and practices and to those of any third parties that process personal information on our behalf. In addition, these obligations may require us to change our business model. **Our business model materially depends on our ability to process personal data, so we are particularly exposed to the risks associated with the rapidly changing legal landscape. For example, we may be at heightened risk of regulatory scrutiny, and any changes in the regulatory framework could require us to fundamentally change our business model.** Although we endeavor to comply with all applicable data privacy and security obligations, we may at times fail (or be perceived to have failed) to do so. Moreover, despite our efforts, our personnel or third parties upon whom we rely may fail to comply with such obligations, which could negatively impact our business operations and compliance posture. For example, any failure by a third- party processor to comply with applicable law, regulations, or contractual data privacy and security obligations could result in adverse effects, including inability to operate our business and proceedings against us by governmental entities or others. We strive to comply with applicable Data Protection Laws, Privacy Policies and Data Protection Obligations to the extent possible, but we may at times fail to do so, or may be perceived to have failed to do so. If we fail, or are perceived to have failed, to address or comply with data privacy and security obligations, we could face significant consequences **,** ~~. These consequences may include~~ **including** , but ~~are~~ not limited to, government enforcement actions (e. g., investigations, fines, penalties, audits, inspections, and similar); litigation (including class- related claims) **and mass arbitration demands** ; additional reporting requirements and / or oversight; bans on processing personal information; orders to destroy or not use personal information; and imprisonment of company officials **. In particular, plaintiffs have become increasingly more active in bringing privacy- related claims against companies, including class claims and mass arbitration demands. Some of these claims allow for the recovery of statutory damages on a per violation basis, and, if viable, carry the potential for monumental statutory damages, depending on the volume of data and the number of violations** . Any of these events could have a material adverse effect on our reputation, business, or financial condition, including but not limited to: loss of customers; interruptions or stoppages in our business operations; inability to process personal information or to operate in certain jurisdictions; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or revision or restructuring of our operations. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees, partners or vendors do not comply with applicable Data Protection Laws, Privacy Policies and Data Protection Obligations. If we or our vendors fail (or are perceived to have failed) to comply with applicable Data Protection Laws, Privacy Policies and Data Protection Obligations, or if our Privacy Policies are, in whole or part, found to be inaccurate, incomplete, deceptive, unfair, or misrepresentative of our actual practices, our business, financial condition, results of operations and prospects could be adversely affected. Government regulation of the Internet and ecommerce is evolving, and unfavorable changes or failure by us to comply with these regulations could have an adverse effect on our business, financial condition, results of operations and prospects. We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and ecommerce. Existing and future regulations and laws could impede the growth of the Internet, ecommerce or mobile commerce, which could in turn adversely affect our growth. These regulations and laws may involve taxes, tariffs, privacy and data security, anti- spam, content protection, electronic contracts and communications, consumer protection, sales practices and Internet neutrality. It is not clear how some existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the Internet as many of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or ecommerce. Our subscription programs are also subject to a complex and evolving body of domestic and international consumer protection laws and regulations that govern automatically renewing purchase agreements and that vary from jurisdiction to jurisdiction. It is possible that general business regulations and laws, laws specifically governing the Internet or ecommerce, and automatic renewal laws governing product subscription programs may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities, customers, suppliers or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our website and mobile applications by customers and suppliers and may result in the imposition of monetary liabilities and burdensome injunctions. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non- compliance with any such laws or regulations. As a result, adverse developments with respect to these laws and regulations could have an adverse effect on our business, financial condition, results of operations and prospects. We rely on a variety of marketing techniques and practices, including email and social media marketing, online targeted advertising, cookie- based processing, and postal mail to sell our products and services and to attract new consumers, and we, and our vendors, are subject to various current and future Data Protection Laws and Data Protection Obligations that govern marketing and advertising practices. Governmental authorities continue to evaluate the privacy implications inherent in the use of third- party “ cookies ” and other methods of online tracking for behavioral advertising and other purposes, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools or the use of data gathered with such tools. Developments in labor and employment law and any unionizing efforts by employees could have an adverse effect on our business, financial condition, results of operations and prospects. We face the risk that Congress, federal agencies or one or more states could approve legislation or regulations significantly affecting our businesses and our relationship with our employees and other individuals providing valuable services to us, such as our influencers. For example, the previously proposed federal legislation referred to as the Employee Free Choice Act would have substantially liberalized the procedures for union organization. None of our employees are currently covered by a collective bargaining agreement, but any attempt by our employees to organize a labor union could result in increased legal and other associated costs. Additionally, given the National Labor Relations Board’ s “ speedy election ” rule, our ability to timely and effectively address any unionizing efforts would be difficult. If we enter into a collective bargaining agreement with our employees, the terms could have an adverse effect on our costs, efficiency and ability to generate acceptable returns on the affected operations. Federal and state wage and hour rules establish minimum salary requirements for employees to be exempt from overtime payments. For example, among other requirements, California law requires employers to pay employees who are classified as exempt from overtime a minimum salary of at least twice the minimum wage, which is currently $ 58, 240 per year for executive, administrative and professional employees with employers that have 26 or more employees. Minimum salary requirements impact the way we classify certain employees, increases our payment of overtime wages and provision of meal or rest breaks, and increases the overall salaries we are required to pay to currently exempt employees to maintain their exempt status. As such, these requirements could have an adverse effect on our business, financial condition, results of operations and prospects. Risks Related to Our Intellectual Property and Information Technology We may be unable to adequately obtain,...... adverse effect on our business. We are increasingly dependent on information technology and our ability to process data in order to operate and sell **products** ~~our goods and services~~ , and if we (or our third parties) are unable to protect against software and hardware vulnerabilities, service interruptions, data corruption, cyber- based attacks, ransomware or security breaches, or if we fail to comply with our commitments and assurances regarding the privacy and security of such data, we could experience adverse consequences, including but not limited to regulatory investigations or actions; litigation; fines and penalties; disruptions to our business operations; interruptions in our ability to provide our goods and services exposure to liability; reputational harm; loss of revenue or profits; loss of customers or sales; and other adverse consequences. We rely on information technology networks and systems and data processing (some of which are managed by third- parties) to market, sell and deliver our products and services, to fulfill orders, to collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of and share (which we collectively refer to as Process or Processing) personal information, sensitive, confidential or proprietary information, financial information and other information **(which we collectively refer to as sensitive information)** , to manage a variety of business processes and activities, for financial reporting purposes, to operate our business, process orders and to comply with regulatory, legal and tax requirements (which we collectively refer to as Business Functions) ~~,~~ including without limitation,the theft or misuse of personal and financial information,counterfeiting,“ phishing ” or social engineering attacks,ransomware,extortion,publicly announcing security breaches,account takeover attacks,denial or degradation of service attacks (such as credential stuffing),malicious code (such as viruses and worms),supply- chain attacks,software bugs,server malfunctions,software or hardware failures,loss of data or other information technology assets,adware,telecommunications failures,malware (including as a result of advanced persistent threat intrusion),fraudulent payment and identity theft,earthquakes,fires,floods,and other similar threats.Because the techniques used by hackers change frequently **,** . Our ability to monitor these third parties’ cybersecurity practices is limited **outside of standard system and organizational control reports review procedures** , and these third parties may not have adequate information security measures in place. **If our third- party service providers experience a security incident or other interruption, we could experience adverse consequences.** And, while we may be entitled to damages if our third- party service providers fail to satisfy their privacy or security- related obligations to us, any award may be insufficient to cover our damages, or we may be unable to recover such award **. In addition, supply- chain attacks have increased in frequency and severity, and we cannot guarantee that third parties' infrastructure in our supply chain or our third- party partners' supply chains have not been compromised** . Remote work has become more common and has increased risks to our information technology systems and data, as more of our employees utilize network connections, computers and devices outside our premises or network, including working at home, while in transit and in public locations. Future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. Furthermore, we may discover security issues that were not found during due diligence of such acquired or integrated entities, and it may be difficult to integrate companies into our information technology environment and security program. **While we have implemented security measures designed** ~~We may expend significant resources or modify our business activities in an effort~~ to protect against security **incidents** ~~breaches. Certain data privacy and security obligations may require us to implement and maintain specific security measures, industry- standard or reasonable security measures to protect our information technology systems and data. Despite our efforts to ensure the security, privacy, integrity, confidentiality, availability, and authenticity of information technology networks and systems, Processing and information~~ , there can be no assurance that these measures will be effective. **We may also expend significant resources or modify our business activities in an effort to protect against security incidents in the future. Certain data privacy and security obligations may require us to implement and maintain specific security measures, industry- standard or reasonable security measures to protect our information technology systems and data. Despite our efforts to ensure the security, privacy, integrity, confidentiality, availability, and authenticity of information technology networks and systems, Processing and information, there can be no assurance that these measures will be effective.** The recovery systems, security protocols, network protection mechanisms and other security measures that we have integrated into our systems, networks and physical facilities, which are designed to protect against, detect and minimize security breaches, may not be adequate to prevent or detect service interruption, system failure data loss or theft, or other material adverse consequences. No security solution, strategy, or measures can address all possible security threats or block all methods of penetrating a network or otherwise perpetrating a security breach because such threats and techniques change frequently, are often sophisticated in nature, and may not be detected until after a security breach has occurred. ~~The risk of unauthorized circumvention of our security measures~~ **We also take steps designed to detect, mitigate, and remediate vulnerabilities in** ~~or~~ **our information systems** ~~those of our third parties has been heightened by advances in computer and software capabilities and the increasing sophistication of hackers, threat actors, personnel~~ (such as ~~through theft or~~ **our hardware** ~~misuse), sophisticated nation- states,~~ and **/ or software** ~~nation- state- supported actors who now engage and are expected to engage in cyber- attacks. During times of war and other major conflicts~~ , ~~we and the~~ **including that of** third parties upon which we rely **). We** may ~~be~~ **not, however, detect and remediate all such** ~~vulnerable~~ **vulnerabilities** ~~to~~ **including on** a **timely basis** ~~heightened risk of these attacks, including cyber- attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services~~ . **Further** ~~We and our third parties may be subject to a variety of evolving threats~~ , including without limitation, the theft or...... techniques used by hackers change frequently, we may **experience delays in developing and deploying remedial** ~~be unable to anticipate these techniques or implement adequate preventive~~ measures ~~. Our applications, systems, networks, software~~ and ~~physical facilities could have material~~ **patches designed to address identified** vulnerabilities **. Vulnerabilities** ~~, be breached or personal or confidential information~~ could be ~~otherwise compromised due to employee error or malfeasance. Third parties may also exploit~~ **exploited** ~~vulnerabilities in, or obtain unauthorized access to, platforms, software, applications, systems, networks, sensitive information,~~ and ~~/ or physical facilities utilized by our vendors. Improper access to our systems or databases could~~ result in ~~the theft, publication, deletion or modification of personal information, confidential or proprietary information, financial information and other information. Ransomware attacks, including those perpetrated by organized criminal threat actors, nation- states, and nation- state- supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of information and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of~~ a ~~ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Similarly, supply- chain attacks have increased in frequency and severity~~ **security incident** ~~, and we cannot guarantee that third parties and infrastructure in our supply chain or our third parties' supply chains have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our information technology systems (including our products and services) or the third party information technology systems that support us and our services~~ . Any of the previously identified or similar threats could cause a security breach or other interruption. Any material disruption of our networks, systems or data processing activities, or those of our third parties, could disrupt our ability to provide our products and services, and to undertake, and cause a material adverse impact to, our Business Functions and our business, reputation and financial condition. If we (or a third party upon whom we rely) experience a security incident or are perceived to have experienced a security incident, or otherwise suffers damage, security breaches, vulnerabilities, disruption or shutdown, and we do not effectively resolve the issues in a timely manner, we may experience adverse consequences, to our Business Functions and our business, such as government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and / or oversight; restrictions on processing sensitive information (including personal data); litigation (including class claims); indemnification obligations; negative publicity; reputational harm; monetary fund diversions; interruptions in our operations (including availability of data); financial loss; and other similar harms. Security incidents and attendant consequences may cause customers to stop using our products, deter new customers from using our products, and negatively impact our ability to grow and operate our business. For example, a security breach or other interruption could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to information. Our DTC and ecommerce operations are critical to our business and our financial performance. Our website serves as an effective extension of our marketing strategies by exposing potential new consumers to our brand, product offerings and enhanced content. Due to the importance of our website and DTC operations, any material disruption of our networks, systems or data processing activities related to our websites and DTC operations could reduce DTC sales and financial performance, damage our brand' s reputation and materially adversely impact our business. In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive information about us from public sources, data brokers, or other means that reveals competitively sensitive details about our organization and could be used to undermine our competitive advantage or market position. We have not always been able in the past and may be unable in the future to detect, anticipate, measure or prevent threats or techniques used to detect or exploit vulnerabilities in our (or our third parties') information technology, services, Processing, communications systems, or software. In addition, security researchers and other individuals have in the past and will continue in the future to actively search for and exploit actual and potential vulnerabilities in our (or our third parties') information technology, services, communications or software. We ~~take steps to detect and remediate vulnerabilities, but we may not be able to detect and remediate all vulnerabilities because the threats and techniques used to exploit the vulnerability change frequently and are often sophisticated in nature. Therefore, such vulnerabilities could be exploited but may not be detected until after a security incident has occurred. These vulnerabilities pose material risks to our business. Further, we may experience delays in developing and deploying patches and other remedial measures to adequately address vulnerabilities, and taking such remedial steps could adversely impact or disrupt our operations. We~~ expect similar issues to arise in the future as our products and services are more widely adopted, and as we continue to expand the features and functionality of existing products and services and introduce new products and services. Despite our efforts to identify and remediate vulnerabilities, if any, in our information technology systems (including our products), our efforts may not be successful. The costs to respond to a security breach and / or to mitigate any security vulnerabilities that may be identified could be significant, our efforts to address these problems may not be successful, and these problems could result in unexpected interruptions, delays, cessation of service, negative publicity, and other harm to our business and our competitive position. We could be required to fundamentally change our business activities and practices in response to a security breach or related regulatory actions or litigation, which could have an adverse effect on our business. We may have contractual and other legal obligations to notify relevant stakeholders of any security breaches. Most jurisdictions have enacted laws requiring companies to notify **relevant stakeholders, including affected** individuals **, customers** , regulatory authorities **, investors** , and others of security breaches involving certain types of data. In addition, our agreements with certain consumers and partners may require us to notify them in the event of a security breach. Such mandatory disclosures are costly, and the disclosures or the failure to comply with **such requirements could lead to adverse consequences. Further, the SEC has adopted new rules that require us to provide greater disclosures around our cybersecurity risk management, strategy, and governance and reactive issues (e. g., security incidents). Complying with these obligations, including making any such disclosures, can be costly, and the disclosures we make to comply with, or the failure to comply with,** such requirements could lead to adverse consequences. If we (or our third parties) experience a security breach or are perceived to have experienced a security breach, we may experience adverse consequences. These consequences may include: government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and / or oversight; restrictions on processing information (including personal information); litigation (including class claims); indemnification obligations; negative publicity; reputational harm; monetary fund diversions; interruptions in our operations (including availability of information); financial loss; and other similar harms. Security breaches and attendant consequences may cause customers to stop using our products or services, deter new customers from using our products or services, and negatively impact our ability to grow and operate our business. **Our contracts may not contain limitations of liability, and even** ~~There~~ **where they do, there** can be no assurance that any limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from liabilities, damages, or claims related to our data privacy and security obligations. We may not have adequate or sufficient insurance coverage to protect us from or to mitigate liabilities arising out of our privacy and security practices. In addition, we cannot be sure that such coverage will continue to be available on acceptable terms or at all, or that such coverage will pay any future claims or loss. **We** may be unable to adequately obtain,maintain,protect and enforce our intellectual property rights.We regard our brand,consumer lists,trademarks,trade dress,domain names,trade secrets,proprietary technology and similar intellectual property as critical to our success.We rely on trademark,copyright and patent law,trade secret protection,and confidentiality agreements with our employees and others to protect our proprietary rights.Effective intellectual property protection may not be available in every country in which our products are,or may be made,available.The protection of our intellectual property rights may require the expenditure of significant financial,managerial and operational resources.Moreover,the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing,misappropriating or otherwise violating our proprietary rights,and we may be unable to broadly enforce all of our intellectual property rights.Any of our intellectual property rights may be challenged by others or invalidated through administrative process or litigation.Our pending and future patent and trademark applications may never be granted.Additionally,the process of obtaining patent and trademark protection is expensive and time- consuming,and we may be unable to prosecute all necessary or desirable patent and trademark applications at a reasonable cost or in a timely manner.There can be no assurance that our issued patents and registered trademarks or pending applications,if issued or registered,will adequately protect our intellectual property,as the legal standards relating to the validity,enforceability and scope of protection of patent,trademark and other intellectual property rights are constantly evolving and vary by jurisdiction.We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights.We further rely on confidentiality agreements to protect our intellectual property rights.Our confidentiality agreements with our employees and certain of our consultants,contract employees,suppliers and independent contractors,including some of our manufacturers who use our formulations to manufacture our products,generally require that all information made known to them be kept strictly confidential.The effectiveness of these agreements are important as some of our formulations have been developed by or with our suppliers and manufacturers.However,we may fail to enter into confidentiality agreements with all parties who have access to our trade secrets or other confidential information.In addition,parties may breach such agreements and disclose our proprietary information,and we may not be able to obtain adequate remedies for such breaches.Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult,expensive and time- consuming,and the outcome is unpredictable.Even if we are successful in prosecuting such claims,any remedy awarded may be insufficient to fully compensate us for the improper disclosure or misappropriation.In addition,if any of our trade secrets were to be lawfully obtained or independently developed by a competitor or other third party,we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.We might be required to spend significant resources to monitor and protect our intellectual property rights.For example,we may initiate claims or litigation against others for infringement,misappropriation or violation of our intellectual property rights or other proprietary rights or to establish the validity of such rights.However,we may be unable to discover or determine the extent of any infringement,misappropriation or other violation of our intellectual property rights and other proprietary rights.Despite our efforts,we may be unable to prevent third parties from infringing upon,misappropriating or otherwise violating our intellectual property rights and other proprietary rights.Any litigation,whether or not it is resolved in our favor,could result in significant expense to us and divert the efforts of our technical and management personnel,which could have an adverse effect on our business,financial condition,results of operations and prospects.The loss of any registered trademark or other intellectual property could enable other companies to compete more effectively with us.We consider our trademarks to be valuable assets that reinforce our brand and consumers' perception of our products.We have invested a significant amount of time and money in establishing and promoting our brands.Our continued success depends,to a significant degree,upon our ability to protect and preserve our registered trademarks and to successfully obtain additional trademark registrations in the future.We may not be able to obtain trademark protection in all territories that we consider to be important to our business.In addition,we cannot assure you that the steps we have taken to protect our trademarks are adequate,that our trademarks can be successfully defended and asserted in the future or that third parties will not infringe upon any such rights.Our trademark rights and related registrations may be challenged,opposed,infringed,cancelled,circumvented or declared generic,or determined to be infringing on other marks,as applicable.Failure to protect our trademark rights could prevent us in the future from challenging third parties who use names and logos similar to our trademarks,which may in turn cause consumer confusion or negatively affect consumers' perception of our brand and products.Moreover,any trademark disputes may result in a significant distraction for management and significant expense,which may not be recoverable regardless of whether we are successful.Such proceedings may be protracted with no certainty of success,and an adverse outcome could subject us to liabilities,force us to cease use of certain trademarks or other intellectual property or force us to enter into licenses with others.Any one of these occurrences could have an adverse effect on our business,financial condition,results of operations and prospects.If we fail to comply with our obligations under our existing license agreements or cannot license rights to use technologies on reasonable terms or at all,we may be unable to license rights that are critical to our business.We license certain intellectual property which is critical to our business,including pursuant to the Likeness Agreement with Jessica Warren.If we fail to comply with any of the obligations under our license agreements,we may be required to pay damages and the licensor may have the right to terminate the license.Termination by the licensor would cause us to lose valuable rights,and could inhibit our ability to commercialize our products.If any contract interpretation disagreement were to arise,the resolution could narrow what we believe to be the scope of our rights to the relevant intellectual property or increase what we believe to be our financial or other obligations under the relevant agreement.Any of the foregoing could adversely impact our business,financial condition and results of operations.In addition,in the future we may identify additional third- party intellectual property we may need to license in order to engage in our business,including to develop or commercialize new products.However,such licenses may not be available on acceptable terms or at all.The licensing or acquisition of third- party intellectual property rights is a competitive area,and companies with greater size and capital resources than us may pursue strategies to license or acquire third- party intellectual property rights that we may consider attractive or necessary.In addition,companies that perceive us to be a competitor may be unwilling to assign or license rights to us.Even if such licenses are available,we may be required to pay the licensor substantial royalties or other fees.If we are unable to enter into the necessary licenses on acceptable terms or at all,it could have an adverse effect on our business,financial condition,results of operations and prospects.We may be subject to claims or other allegations that we infringe,misappropriate or otherwise violate the intellectual property rights of third parties,which could result in substantial damages and diversion of management' s efforts and attention.Third parties have from time to time claimed,and may claim in the future,that we have infringed,misappropriated or otherwise violated their intellectual property rights.These claims,whether meritorious or not,could be time- consuming,result in considerable litigation costs,result in injunctions against us or the payment of damages by us,require significant amounts of management time or result in the diversion of significant operational resources and expensive changes to our business model,result in the payment of substantial damages or injunctions against us,or require us to enter into costly royalty or licensing agreements,if available.As a result of a third - party claim,we have agreed to certain restrictions regarding the goods and services that may be offered under our trademarks.In addition,we may be unable to obtain or utilize on terms that are favorable to us,or at all,licenses or other rights with respect to intellectual property we do not own.These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims.Any payments we are required to make and any injunctions we are required to comply with as a result of these claims could have an adverse effect on our business,financial condition,results of operations and prospects.Our reliance on software- as- a- service,or SaaS,technologies from third parties may adversely affect our business and results of operations.We rely on SaaS technologies from third parties,including Salesforce,in order to operate critical functions of our business,including financial management services,customer relationship management services,supply chain services and data storage services.If these services become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices,or for any other reason,our expenses could increase,our ability to manage our finances could be interrupted,our processes for managing sales of our offerings and supporting our consumers could be impaired,our ability to communicate with our suppliers could be weakened and our ability to access or save data stored to the cloud may be impaired until equivalent services,if available,are identified,obtained and implemented,all of which could have an adverse effect on our business,financial condition,results of operations and prospects.We must successfully maintain,scale and upgrade our information technology systems,and our failure to do so could have an adverse effect on our business,financial condition,results of operations and prospects.We have identified the need to significantly expand,scale and improve our information technology systems and personnel to support recent and expected future growth.As such,we are in the process of implementing,and will continue to invest in and implement,significant modifications and upgrades to our information technology systems and procedures,including replacing legacy systems with successor systems,making changes to legacy systems or acquiring new systems with new functionality,hiring employees with information technology expertise and building new policies,procedures,training programs and monitoring tools.These types of activities subject us to inherent costs and risks associated with replacing and changing these systems,including impairment of our ability to leverage our Retail channel or fulfill customer orders,potential disruption of our internal control structure,substantial capital expenditures,additional administration and operating expenses,the need to acquire and retain sufficiently skilled personnel to implement and operate the new systems,demands on management time,the introduction of errors or vulnerabilities and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems.These implementations,modifications and upgrades may not result in productivity improvements at a level that outweighs the costs of implementation,or at all.Additionally,difficulties with implementing new technology systems,delays in our timeline for planned improvements,significant system failures,or our inability to successfully modify our information systems to respond to changes in our business needs may cause disruptions in our business operations and could have an adverse effect on our business,financial condition,results of operations and prospects. ~~For example~~ Risks Related to Conducting Business Internationally ~~If we cannot successfully manage the unique challenges presented by international markets or successfully execute changes in our international strategy, we may not be successful in managing our operations outside the United States. Our strategy may include the expansion of our operations to international markets. We currently sell products through retailers in Canada, Asia, the United Kingdom and certain countries in the European Union and we may consider distributing or shipping to additional geographies. Although some of our executive officers have experience in international business from prior positions, we have little experience with operations outside the United States. Our ability to operate internationally is affected by many of the same operational risks we face in expanding our U. S. operations. In addition, our international expansion may be adversely affected by our ability to identify and gain access to local suppliers, obtain and protect relevant trademarks, domain names, and other intellectual property, as well as by local laws and customs, legal and regulatory constraints, political and economic conditions and currency regulations of the countries or regions in which we may intend to operate in the future. Risks inherent in expanding our operations internationally also include, among others, the costs and difficulties of managing international operations, adverse tax consequences, domestic and international tariffs and other barriers to trade. In addition, competition is likely to intensify in the international markets where we plan to expand our operations. Standards for " clean ", " natural " or " organic " product labeling or designations may vary across different markets, which may require us to market our products differently or change the formulations of our products to meet local standards. Local companies based in markets outside the United States may have a substantial competitive advantage because of their greater understanding of, and focus on, those local markets. Some of our competitors may also be able to develop and grow in international markets more quickly than we will.~~ Our business activities may be subject to the U. S. Foreign Corrupt Practices Act and similar anti- bribery and anti- corruption laws of other countries in which we operate, as well as U. S. and certain foreign export controls, trade sanctions, and import laws and regulations. Compliance with these legal requirements could limit our ability to compete in foreign markets and subject us to liability if we violate them. We derive a significant portion of our products from third- party manufacturing and supply partners in foreign countries and territories, including countries and territories perceived to carry an increased risk of corrupt business practices. The U. S. Foreign Corrupt Practices Act, or the FCPA, prohibits U. S. corporations and their employees and representatives from, directly or indirectly, offering, promising, making, giving, or authorizing others to give anything of value to any foreign government official, political party or official thereof, or political candidate to influence official action or otherwise in an attempt to obtain or retain business. In addition, the FCPA also requires that we make and keep accurate books and records that accurately and fairly reflect the transactions of the corporation and to devise and maintain an adequate system of internal accounting controls and compliance procedures designed to prevent violations of anti- corruption laws. We may be held liable for the corrupt or other illegal activities of our employees and representatives, even if we do not explicitly authorize such activities. We cannot assure you that all of our employees and representatives will not take actions in violation of anti- corruption laws for which we may be ultimately held responsible ~~. As we increase our international business, our risks under anti- corruption laws may increase~~ . In addition, our products may be subject to U. S. and foreign export controls, trade sanctions, and import laws and regulations. Governmental regulation of the import or export of our products, or our failure to obtain any required import or export authorization for our products, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our products may create delays in the introduction of our products in international markets or, in some cases, prevent the export of our products to some countries altogether. Furthermore, U. S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments, and persons targeted by U. S. sanctions. If we or our employees or representatives are determined to have violated the FCPA, U. S. export control laws and economic sanctions, or any of the anti- corruption, anti- bribery, export control, and sanctions laws in the countries and territories where we and our representatives do business, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting certain business, and other consequences that may have an adverse effect on our business, financial condition, results of operations and prospects. In addition, the costs we may incur in defending against any investigations stemming from our or our employees' or representatives' improper actions could be significant. Moreover, any actual or alleged corruption or sanctions concerns in our supply chain could carry significant reputational harm, including negative publicity, loss of goodwill, and decline in share price. International trade disputes and the U. S. government' s trade policy could adversely affect our business. International trade disputes could result in tariffs and other protectionist measures that could adversely affect our business. Tariffs could increase the cost of our products and the components and raw materials that go into making them. These increased costs could adversely impact the gross margin that we earn on our products. Countries may also adopt other protectionist measures that could limit our ability to offer our products. The U. S. government has indicated its intent to adopt a new approach to trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi- lateral trade agreements. It has also initiated tariffs on certain foreign goods and has raised the possibility of imposing significant, additional tariff increases or expanding the tariffs to capture other types of goods. Although the tariffs that have been initiated to date have not had a material impact on our operating results, to the extent that significant additional tariffs are imposed, depending on the extent of such tariffs, they could have a material impact on our operating results. We cannot predict the extent to which the United States or other countries will impose quotas, duties, tariffs, taxes or other similar restrictions upon the import or export of our products in the future, nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our consumers, our suppliers, and the U. S. economy, which in turn could have an adverse effect on our business, financial condition, results of operations and prospects. Fluctuations in currency exchange rates may negatively affect our financial condition and results of operations. Exchange rate fluctuations may affect the costs that we incur in our operations. The main currencies to which we are exposed are the Canadian Dollar, the Euro and the British Pound. The exchange rates between these currencies and the U. S. dollar in recent years have fluctuated significantly and may continue to do so in the future. A depreciation of these currencies against the U. S. dollar will decrease the U. S. dollar equivalent of the amounts derived from foreign operations reported in our consolidated financial statements, and an appreciation of these currencies will result in a corresponding increase in such amounts. The cost of certain items, such as materials, manufacturing, employee salaries and transportation and freight, required by our operations may be affected by changes in the value of the relevant currencies. To the extent that we are required to pay for goods or services in foreign currencies, the appreciation of such currencies against the U. S. dollar will tend to negatively affect our business. There can be no assurance that foreign currency fluctuations will not have an adverse effect on our business, financial condition, results of operations and prospects. We are subject to international business uncertainties. ~~In 2022, international sales represented 2 % of total revenue.~~ Our business relies on third- party suppliers and manufacturers located in China, Mexico, and certain other foreign countries. We intend to continue to sell to consumers outside the United States and maintain our relationships in foreign countries where we have suppliers and manufacturers. Further, we may establish additional relationships in other countries in the future. ~~The substantial up- front investment required, the lack of consumer awareness of our products in jurisdictions outside of the United States, differences in consumer preferences and trends between the United States and other jurisdictions, the risk of inadequate intellectual property protections and differences in packaging, labeling and related laws, rules and regulations are all substantial matters that need to be evaluated prior to doing business in new territories. We cannot be assured that our international efforts will be successful. International sales and increased~~ **Increased** international operations may be subject to risks such as: ~~• difficulties in staffing and managing foreign operations and geographically dispersed operations;~~ • burdens of complying with a wide variety of laws and regulations, including more stringent regulations relating to data privacy and security, particularly in the European Union; • adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash; • political and economic instability; • terrorist activities and natural disasters; • trade restrictions; • differing employment practices and laws and labor disruptions; • the imposition of government controls; • an inability to use or to obtain adequate intellectual property protection for our brand and key products; • difficulties in enforcing contracts and legal decisions; • tariffs and customs duties and the classifications of our goods by applicable governmental bodies; • a legal system subject to undue influence or corruption; • a business culture in which illegal sales practices may be prevalent; • logistics and sourcing; and • military conflicts. The occurrence of any of these risks could have an adverse effect on our international business and consequently our overall business, financial condition, results of operations and prospects. In addition, following Russia' s military invasion of Ukraine in February 2022, NATO deployed additional military forces to Eastern Europe, and the United States, European Union, and other nations announced various sanctions against Russia and Belarus. The invasion of Ukraine and the retaliatory measures that have been taken, and could be taken in future, by the U. S., NATO, and other countries have created global security concerns that could result in a regional conflict and otherwise have a lasting impact on regional and global economies and supply chains, any or all of which could adversely affect our business, financial condition, results of operations and prospects. For example, although we don' t rely directly on Russia for oil consumption, the suppliers we do source oil from could pass on price increases to us, as a result of the overall increase in oil prices. Risks Related to Ownership of Our Common Stock Our stock price has been volatile, and the value of our common stock has declined. The market price of our common stock has been highly volatile and has fluctuated and declined substantially since our **initial public offering ("** IPO **")** and may continue to fluctuate or decline as a result of a variety of factors, some of which are beyond our control, including: • actual or anticipated fluctuations in our financial condition or results of operations; • variance in our financial performance from expectations of securities analysts; • changes in our projected operating and financial results; • announcements by us or our competitors of significant business developments, acquisitions or new offerings; • announcements or concerns regarding real or perceived quality or health issues with our products or similar products of our competitors; • adoption of new regulations applicable to the Diapers and Wipes, Skin and Personal Care and Household and Wellness industries or the expectations concerning future regulatory developments; • our involvement in litigation; • future sales of our common stock by us or our stockholders; • changes in senior management or key personnel; • the trading volume of our common stock; and • changes in the anticipated future size and growth rate of our market. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may also negatively impact the market price of our common stock, particularly in light of ~~uncertainties surrounding the continuing effects of the COVID- 19 pandemic,~~ the challenging macroeconomic environment and the related impacts **. If we are unable to maintain listing of our securities on the Nasdaq Capital Market or another reputable stock exchange, it may be more difficult for our stockholders to sell their securities. Nasdaq requires listing issuers to comply with certain standards in order to remain listed on its exchange. If we fail to satisfy the continued listing requirements of Nasdaq, such as the minimum closing bid price requirement, Nasdaq may take steps to delist our common stock. For example, if at any time the bid price of our common stock closes at below $ 1. 00 per share for more than 30 consecutive trading days, we may be subject to delisting from the Nasdaq Capital Market. If we receive a delisting notice, we would have 180 calendar days to regain compliance (subject to any additional 180- day compliance period which may be available to us), which would mean having a bid price above the minimum of $ 1. 00 for at least 10 consecutive days in the 180- day period. During this 180- day period, we would anticipate reviewing our options to regain compliance with the minimum bid requirements, including conducting a reverse stock split. To the extent that we are unable to resolve any listing deficiency, there is a risk that our common stock may be delisted from Nasdaq, which would adversely impact liquidity of our common stock and potentially result in even lower bid prices for our common stock. On March 5, 2024, the closing price of our common stock was $ 2. 99 per share. If, for any reason, Nasdaq should delist our securities from trading on its exchange and we are unable to obtain listing on another reputable national securities exchange, such a delisting would likely have a negative effect on the price of our common stock and would impair your ability to sell or purchase our common stock when you wish to do so. In the event of a delisting, we can provide no assurance that any action taken by us to restore compliance with listing requirements would allow our common stock to become listed again, stabilize the market price or improve the liquidity of our common stock, prevent our common stock from dropping below the Nasdaq minimum bid price requirement or prevent future non- compliance with the listing requirements of Nasdaq, each of which could materially adversely affect our stockholders** . Anti- takeover provisions in our charter documents and under Delaware law could make an acquisition of our Company more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock. Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that: • authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock with terms, rights and preferences determined by our board of directors that may be senior to our common stock; • require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent; • specify that special meetings of our stockholders can be called only by our board of directors, the chairperson of our board of directors, or our chief executive officer; • establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors; • establish that our board of directors is divided into three classes, with each class serving three- year staggered terms; • prohibit cumulative voting in the election of directors; • provide that our directors may be removed for cause only upon the vote of at least 66 2~~⁄~~/ 3 % of our outstanding shares of voting stock; • provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum; and • require the approval of our board of directors or the holders of at least 66 2~~⁄~~/ 3 % of our outstanding shares of voting stock to amend our bylaws and certain provisions of our certificate of incorporation. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally, subject to certain exceptions, prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “ interested ” stockholder for a period of three years following the date on which the stockholder became an “ interested ” stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your shares of our common stock in an acquisition. Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States will be the exclusive forums for substantially all disputes between us and our stockholders, 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 certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: • any derivative action or proceeding brought on our behalf; • any action asserting a claim of breach of fiduciary duty; • any action asserting a claim against us arising under the Delaware General Corporation Law, or DGCL, our amended and restated certificate of incorporation or our amended and restated bylaws; and • any action asserting a claim against us that is governed by the internal- affairs doctrine or otherwise related to our internal affairs. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation further provides that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, including all causes of action asserted against any defendant named in such complaint. For the avoidance of doubt, this provision is intended to benefit and may be enforced by us, our officers and directors, the underwriters for any offering giving rise to such complaint, and any other professional entity whose profession gives authority to a statement made by that person or entity and who has prepared or certified any part of the documents underlying the offering. While the Delaware courts have determined that such choice of forum provisions are facially valid, and several state trial courts have enforced such provisions and required that suits asserting Securities Act claims be filed in federal court, there is no guarantee that courts of appeal will affirm the enforceability of such provisions and a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. These exclusive- forum provisions may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive- forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with litigating Securities Act claims in state court, or both state and federal court, of which could seriously harm our business, financial condition, results of operations and prospects. Other than the 2021 Dividend paid on June 29, 2021, we do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock. In April 2021, our board of directors declared a cash dividend of $ 35. 0 million to the holders of record of our common stock and our redeemable convertible preferred stock as of May 3, 2021 that was contingent upon the closing of the IPO and was paid on June 29, 2021, or the 2021 Dividend. Other than the 2021 Dividend, we have never declared or paid cash dividends on our capital stock and we do not intend to pay any cash dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, you may need to rely on sales of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on your investment. In addition, the 2023 Credit Facility contains restrictions on our ability to pay dividends. An active public trading market may not be sustained. An active public trading market for our common stock may not be sustained. The market value of our common stock has decreased substantially from the initial public offering price. As a result of these and other factors, you may be unable to resell your shares of our common stock at or above the price you paid. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair value of your shares. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies by using our shares as consideration. Principal stockholders have substantial control over us and will be able to influence corporate matters. Based on the number of shares outstanding as of December 31, ~~2022~~ **2023** , our directors, executive officers and stockholders holding more than 5 % of our outstanding capital stock, together with their respective affiliates, beneficially owned, in the aggregate, approximately ~~35~~ **40** . ~~0~~ **2** % of our outstanding capital stock. As a result, these stockholders will be able to exercise significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents or approval of any merger, sale of assets or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. The interests of this group of stockholders may not always coincide with your interests or the interests of other stockholders and they may act in a manner that advances their best interests and not necessarily those of other stockholders, including seeking a premium value for their common stock, and might affect the prevailing market price for our common stock. Future sales of our common stock in the public market could cause the market price of our common stock to decline. Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. Many of our existing equity holders have substantial unrecognized gains on the value of the equity they hold, and therefore they may take steps to sell their shares or otherwise secure the unrecognized gains on those shares. We are unable to predict the timing of or the effect that such sales may have on the prevailing market price of our common stock. Our issuance of additional capital stock in connection with financings, acquisitions, investments, our equity incentive plans or otherwise will dilute all other stockholders. We expect to issue additional capital stock in the future that will result in dilution to all other stockholders. We grant equity awards to employees, directors and consultants under our equity incentive plans. The market value of our common stock has decreased substantially since it began trading in May 2021, and because the number of shares subject to such awards is typically based on dollar values, the number of shares increases as our stock price decreases. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in companies and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our common stock to decline. If securities or industry analysts do not publish research or publish unfavorable or inaccurate research about our business, the market price and trading volume of our common stock could decline. The market price and trading volume of our common stock will be heavily influenced by the way analysts interpret our financial information and other disclosures. We do not have control over these analysts. If few securities analysts commence coverage of us, or if industry analysts cease coverage of us, our stock price could be negatively affected. If securities or industry analysts do not publish research or reports about our business, downgrade our common stock, or publish negative reports about our business, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our stock price to decline and could decrease the trading volume of our common stock. We are an " emerging growth company, " and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors. We are an " emerging growth company, " as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we intend to take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including: • not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes- Oxley Act of 2002, or the Sarbanes- Oxley Act; • not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor' s report providing additional information about the audit and the financial statements; • reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and • exemptions from the requirements of holding nonbinding advisory stockholder votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We intend to take advantage of the extended transition period for adopting new or revised accounting standards under the JOBS Act as an emerging growth company. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our common stock less attractive to investors. In addition, if we cease to be an emerging growth company, we will no longer be able to use the extended transition period for complying with new or revised accounting standards. We will remain an emerging growth company until the earliest of: (1) December 31, 2026; (2) the last day of the first fiscal year in which our annual gross revenue is $ 1. 235 billion or more; (3) the date on which we have, during the previous rolling three- year period, issued more than $ 1. 0 billion in non- convertible debt securities; and (4) the last day of the fiscal year in which the market value of our common stock held by non- affiliates exceeded $ 700 million as of June 30 of such fiscal year. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future results of operations may not be as comparable to the results of operations of certain other companies in our industry that adopted such standards. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile. We face increased costs as a result of operating as a public company, and our management is required to devote substantial time to compliance with our public company responsibilities and corporate governance practices. As a public company, we incur significant finance, legal, accounting and other expenses, including director and officer liability insurance, that we did not incur as a private company, which we expect to further increase after we are no longer an " emerging growth company. " The Sarbanes- Oxley Act, the Dodd- Frank Wall Street Reform and Consumer Protection Act, the listing requirements of The Nasdaq Stock Market LLC, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements and we may not be able to close our books on time, meet filing deadlines, or meet other public company requirements. Moreover, these rules and regulations have increased our legal and financial compliance costs and made some activities more time- consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the specific timing of such costs. Pursuant to Section 404 of the Sarbanes- Oxley Act, or Section 404, ~~for the first time since becoming a public company,~~ we are required to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting ~~for the fiscal year ended December 31, 2022~~ . This assessment must include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the Securities and Exchange Commission, or SEC, following the date we are no longer an emerging growth company. If we are unable to in any such annual report assert that our internal control over financial reporting is effective, investors may lose confidence in the accuracy and completeness of our financial reports, we may face restricted access to the capital markets or other sources of funds and our stock price may be adversely affected. To **comply** ~~prepare for compliance~~ with Section 404, we have engaged in and will continue to engage in a costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. Our compliance with Section 404 requires that we incur substantial expenses and expend significant management efforts. We currently do not have an internal audit group, and we have hired and may need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404. We cannot assure you that there will not be material weaknesses in our internal control over financial reporting in the future. Failure to maintain internal control over financial reporting, including historical or future control deficiencies, could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.