

Risk Factors Comparison 2024-12-12 to 2023-12-07 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

Risks related to our business and operations

- We may not be successful in our efforts to grow profitably **and our growth and financial performance may fluctuate**;
- If we are unable to successfully identify market trends and react to changing consumer preferences in a timely manner, our sales may decrease;
- Our store sales growth and quarterly financial performance may fluctuate for a variety of reasons;
- Adverse economic conditions **(including inflation and deflation), pandemics** and political instability could adversely affect our business, ~~results of operations and financial condition and could negatively impact our ability to execute our growth strategy~~;
- Inflation **• An inability to compete, maintain or increase or our deflation operating margins, or maintain traffic in our stores** could adversely affect our business;
- Widespread health pandemics could materially impact our business, results of operations and financial condition;
- We may be unable to compete effectively in our markets, which are highly competitive;
- An inability to maintain or increase our operating margins could adversely affect our results of operations;
- **Product recalls, withdrawals** • A reduction in traffic to anchor stores in the shopping areas in close proximity to our ~~or stores seizures~~ could significantly reduce our sales and leave us with unsold inventory, which could have a material adverse effect on our business, financial condition and results of operations;
- We may experience product recalls, withdrawals or seizures which could reduce our sales and adversely affect our results of operations;
- Our future business, results of operations and financial condition may be adversely affected by reduced availability of certified organic products ~~or~~, products that meet our other internal standards, **or issues related to our suppliers**;
- Disruptions affecting our significant suppliers, or our relationships with such suppliers, could negatively affect our business;
- Adverse weather conditions, natural disasters and the effects of climate change could disrupt our supply chain and adversely impact our sales and financial performance;
- Acts of violence at or threatened against our stores or the shopping centers **where** in which they are located, including active shooter situations and terrorist acts, could adversely impact our sales, which could materially adversely affect our financial performance;
- The current geographic concentration of our stores creates exposure to local economies, regional downturns, severe weather and other catastrophic occurrences;
- If we fail to maintain our reputation and the value of our brand, **or fail to retain or attract key personnel**, our sales may decline;
- Perishable food product losses could materially impact our ~~or~~ results of operations;
- The decision by certain of our suppliers to distribute their specialty products through other retail distribution channels could negatively impact our revenue from the sale of such products;
- Our ability to operate our business effectively could be impaired if we fail to retain or attract key personnel or are unable to attract, train and retain qualified employees;
- Any significant interruption **interruptions to** in the operations of our bulk food repackaging facility and distribution center **could materially impact or our results of operations** our supply chain network could disrupt our ability to deliver our merchandise in a timely manner;
- Higher wage and benefit costs **or union activity among our Crew members or third parties** could adversely affect our business;
- Union activity at third-party transportation companies or labor organizing activities among our Crew members could disrupt our operations and harm our business;
- Future events could result in impairment of long-lived assets, which may result in charges that adversely affect our results of operations and capitalization;
- **Our** • We have significant lease obligations, which may adversely affect our liquidity and require us to raise additional capital or continue paying rent for store locations that we no longer operate;
- Any material disruption to ~~or~~, failure of, our ~~or~~ information systems could negatively impact our operations;
- Failure to protect our information systems against cyber-attacks **against or our information systems could negatively impact our operations** security breaches, including failure to protect the integrity and security of individually identifiable data of our ~~or~~ customers and Crew members, could expose us to litigation **and**, damage our reputation **reputational harm** and have a material adverse effect on our business;
- Claims under our self-insurance program may differ from our estimates, which could negatively impact our results of operations;
- If we are unable to protect our intellectual property rights, our ability to compete and the value of our brand could be harmed;
- Energy costs are a significant component of our operating expenses and increasing energy costs, unless offset by more efficient usage or other operational responses, may impact our profitability;
- Legal proceedings **and adverse tax changes or examinations** could adversely affect our business, financial condition and results of operations;
- Effective tax rate changes and **results of examinations** by taxing authorities could materially impact our results of operations;
- Failure to maintain effective internal control over financial reporting could lead to material misstatements in our financial statements, in which case investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decline; and
- ~~Changes in accounting standards may materially impact reporting of our financial condition and reported results of operations~~.

Risks related to government regulations and policies

- If we or **Regulatory requirements imposed on us** our ~~or our~~ third-party suppliers fail **could change, increasing our costs and a failure** to comply with regulatory requirements, or are unable to provide products that meet our specifications, our business and our reputation could suffer;
- We, as well as our suppliers, are subject to numerous federal, state and local laws and regulations and our compliance with these laws and regulations, as they currently exist or as modified in the future, may increase our costs, limit or eliminate our ability to sell certain products, require recalls of certain products, raise regulatory enforcement risks not present in the past or otherwise adversely affect our business, results of operations and financial condition;
- Our sale of products containing cannabidiol (CBD) could lead to regulatory action by federal, state and / or local authorities or legal proceedings brought by or on behalf of consumers;
- The activities of our NHCs and our nutrition education services may be impacted by government regulation or an inability to secure adequate liability insurance;
- Consumers or regulatory agencies may challenge certain claims made regarding the products we sell;
- The products we sell could suffer from real or perceived

quality or food safety concerns and may cause unexpected side effects, illness, injury or death that could result in their discontinuance or expose us to lawsuits, any of which could result in unexpected costs and damage to our reputation; and ● Our political advocacy activities may reduce our customer count and sales. Risks related to our indebtedness and liquidity ● Our credit facility could limit our operational flexibility; ● We may be unable to generate sufficient cash flow to satisfy our debt service obligations, which could adversely impact our business and we may ● Our liquidity needs need may require us to raise additional capital through debt or equity financings financing; and ● Our share repurchase program may adversely affect our liquidity and cause fluctuations in our stock price. General risks related to our common stock ● Our current principal stockholders have significant influence over us, and they could delay, deter or prevent a change of control or other business combination or otherwise cause us to take action with which our stockholders might not agree; ● anti-takeover provisions in our organizational documents and Delaware law may prevent a change of control; and our “controlled company” status exempts us from certain governance provisions otherwise required by the NYSE; ● We may not be able to continue paying dividends on our common stock; ● and ● If securities or industry analysts do not publish research or reports about us our business, if they adversely change their recommendations regarding about our common stock or if our operating results do not meet their expectations, our common stock price could decline; ● Anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change in control, even if a sale of the Company could be beneficial to our stockholders, which could cause our stock price to decline and prevent attempts by our stockholders to replace or remove our current management; and ● We are a “controlled company” within the meaning of the NYSE Listed Company Manual, and, as a result, rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.

Risk Factors Our business, financial condition and results of operations can be materially impacted by a number of factors which could cause our actual results to vary materially from recent results or from our anticipated future results. If any of the following risks actually occurs, our business, financial condition, results of operations, cash flow and prospects could be materially and adversely affected. As a result, the trading price of our common stock could decline and our stockholders could lose all or part of their investment in our common stock. Accordingly, our stockholders should carefully consider the risks described below as well as the other information and data included in this Form 10-K. We may not be successful in our efforts to grow profitably. Our continued growth largely depends on our ability to increase sales in our existing stores and successfully open and operate new stores on a profitable basis. Our comparable store sales growth could be lower than our historical average for various reasons, including the opening of new stores that cannibalize sales in existing stores, increased competition, general economic conditions, regulatory changes, price changes as a result of competitive factors and product pricing and availability. We expect our rate of new store unit growth in the foreseeable future to be dependent on economic and business conditions and other factors, including construction permitting and the availability of construction materials and, equipment and labor. Delays or failures in opening new stores, or achieving lower than expected sales in new stores, could materially and adversely affect our growth. Our plans for continued expansion could place increased demands on our financial, managerial, operational and administrative resources. For example, our planned expansion will require us to increase the number of people we employ and may require us to upgrade our management information system and our distribution infrastructure. We currently operate a single bulk food repackaging facility and distribution center, which houses our bulk food repackaging operation. In order to support our recent and expected future growth and to maintain the efficient operation of our business, we may need to add additional capacity in the future. These increased demands and operating complexities could cause us to operate our business less efficiently, which could materially and adversely affect our operations, financial performance and future growth. We may not be able to open new stores on schedule or operate them successfully. Our ability to successfully open new stores depends upon a number of factors, including our ability to select suitable sites for our new store locations; to negotiate and execute leases on acceptable terms; to coordinate the contracting work on our new stores; to identify, recruit and train store managers, NHCs and other staff; to secure and manage the inventory necessary for the launch and successful operation of our new stores; and to effectively promote and market our new stores. Additionally, our new store openings may not be successful or reach the sales and profitability levels of our existing stores. New stores build their sales volume and their customer base over time and, as a result, generally have lower margins and higher operating expenses, as a percentage of net sales, than our existing stores. As a result, new store openings may negatively impact our financial results in the short-term due to the effect of store opening costs and lower sales and contribution to overall profitability during the initial period following opening. If we are unable to successfully identify market trends and react to changing consumer preferences in a timely manner, our sales may decrease. We believe our success depends, in substantial part, on our ability to: ● anticipate, identify and react to natural and organic grocery and dietary supplement trends and changing consumer preferences in a timely manner; ● translate market trends into appropriate, saleable product and service offerings in our stores; and ● develop and maintain vendor relationships that provide us access to the newest merchandise, and products that satisfy our standards, on reasonable terms. Consumer preferences often change rapidly and without warning, moving from one trend to another among many product or retail concepts. Our performance is impacted by trends regarding healthy lifestyles, dietary preferences, convenient meal options, natural and organic products, dietary supplements, ingredient transparency and sustainability and at-home meal preparation. Consumer preferences towards dietary supplements or natural and organic food products might shift as a result of, among other things, economic conditions, food safety perceptions, scientific research or findings regarding the benefits or efficacy of these products, reduced or changed consumer choices and the cost or sustainability of these products. Our store offerings are comprised of natural and organic products and dietary supplements. A change in consumer preferences away from our offerings, including as a result of, among other things, higher retail prices for our products due to inflation, or reductions or changes in our offerings, could have a material adverse effect on our business. Additionally, negative publicity regarding the safety of natural and organic products or dietary supplements, or new or upgraded regulatory standards, may adversely affect demand for the products we sell and could result in lower customer traffic, sales and results of operations. If we are unable to anticipate and satisfy consumer

merchandise preferences in the regions where we operate, our net sales may decrease, and we may be forced to increase markdowns of slow- moving merchandise, either of which could have a material adverse effect on our business, financial condition and results of operations. Our store sales growth and quarterly financial performance may fluctuate for a variety of reasons. Our store sales growth and quarterly results of operations have fluctuated in the past, and we expect them to continue to fluctuate in the future. A variety of factors affect our store sales growth and quarterly financial performance, including: ● changes in our merchandising strategy or product mix; ● the performance of our newer and remodeled stores; ● the effectiveness of our inventory management; ● the timing and concentration of new store openings, and the related additional human resource requirements and pre- opening and other start- up costs; ● slowing in the natural and organic retail sector; ● the cannibalization of existing store sales by our new store openings; ● levels of pre- opening expenses associated with new stores; ● the timing and effectiveness of our marketing activities; ● consumer preferences, buying trends and spending levels; ● food and commodity price inflation or deflation; ● the number and dollar amount of customer transactions in our stores; ● seasonal fluctuations due to weather conditions and extreme weather- related disruptions; ● our ability to generate new and repeat visits to our stores and adequate levels of customer engagement; ● actions by our existing or new competitors, including pricing changes and delivery and fulfillment options; ● regulatory changes affecting availability and marketability of products; ● supply shortages or other operational disruptions; ● general United States economic conditions and, in particular, the retail sales environment; ● executive, legislative or regulatory actions that restrict or limit our access to foreign- sourced goods; and ● the impact of global health pandemics on our operations and the U. S. economy. Accordingly, our results for any one fiscal year or quarter are not necessarily indicative of the results to be expected for any other **fiscal** year or quarter. Our comparable store sales during any particular future period may decrease. In the event of any future decrease, the price of our common stock could decline. For more information on our results of operations for fiscal years **2024 and 2023 and 2022**, see “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations. ” Adverse economic conditions and political instability could adversely affect our business, results of operations and financial condition and could negatively impact our ability to execute our growth strategy. Adverse and uncertain economic conditions could adversely impact demand for the products we sell in our stores. Consumer spending and levels of disposable income, including spending for natural and organic grocery and dietary supplement products that we sell, are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wages, inflation, interest rates, the availability of credit, tax rates, fuel and energy costs, housing market conditions, general business conditions, consumer confidence and consumer perceptions of economic conditions. In the event of an economic slowdown or recession, consumer spending could be adversely affected, and we could experience lower net sales than expected. We could be forced to delay or slow our new store growth plans, which could have a material adverse effect on our business, financial condition and results of operations. In addition, our ability to manage normal commercial relationships with our suppliers, manufacturers of our private label products, distributors, customers and creditors may suffer. Customers may shift purchases to lower- priced or other perceived value offerings during economic downturns. In particular, customers may reduce the amount of natural and organic products that they purchase and instead purchase conventional offerings, which generally have lower retail prices, at other stores. In addition, consumers may choose to purchase private label products at other stores rather than ~~branded~~ **brand** products because they are generally less expensive. Suppliers may become more conservative in response to these conditions and seek to reduce their production. Economic conditions and consumer spending may also be adversely impacted by political instability. The outbreak or escalation of war, the occurrence of terrorist acts or other hostilities in or affecting the United States, or concerns regarding epidemics in the United States or in international markets could also lead to a decrease in spending by consumers or may cause our customers to avoid visiting our stores. In particular, recent global events **, including ongoing conflicts in Ukraine and the Middle East**, have disrupted commodity markets ~~, including for energy and agricultural products~~, and have contributed to global supply chain disruption and inflation. We may experience continued volatility with respect to these trends. Our results of operations depend upon, among other things, our ability to maintain and increase sales volume with our existing customers, to attract new customers and to provide products that appeal to customers at prices they are willing and able to pay. Prolonged unfavorable economic conditions or political instability may have an adverse effect on our sales and profitability. Inflation or deflation could adversely affect our business. Our financial performance could be adversely impacted by relative rates of inflation or deflation, which are subject to market conditions. Inflationary or deflationary pressures on the products we sell could impact our net sales and earnings. If the cost of goods changes as a result of inflation or deflation, we may be unable to adjust our retail prices accordingly, which could adversely impact our sales or earnings. ~~During fiscal~~ **In particular, deflation or disinflation impacting the products we sell could cause our competitors to aggressively lower retail pricing or adopt promotions, adversely affecting the competitiveness of our pricing and our profitability. In recent** years ~~2022 and 2023~~, we experienced levels of inflation that ~~are were~~ higher than we have **historically** experienced ~~in recent years~~, resulting in part from various supply disruptions, **geopolitical instability, including** the ~~conflict~~ **conflicts** between in Ukraine and Russia ~~the Middle East~~, increased shipping and transportation costs, increased commodity costs, increased labor costs in the supply chain, monetary policy actions, other disruptions and the uncertain economic environment. We have been able to mitigate this impact to date through our pricing strategies. ~~We~~ **While levels of inflation moderated during fiscal year 2024, we** are unable to predict ~~how long the current inflationary environment will continue or~~ the long- term impact of inflationary or deflationary trends on consumer behavior and our sales and profitability in the future. Additionally, commodities used in many of our products, including our Natural Grocers brand products, can be subject to availability constraints and price volatility caused by weather, supply conditions, political instability, government regulations, tariffs, energy prices and general economic conditions and other unpredictable factors. Changes in food and commodity prices could also negatively impact our sales and earnings if our competitors react more aggressively. Additionally, the cost of construction materials **and labor** we use to build and remodel our stores is also subject to price volatility based on market and economic conditions. Higher construction material **and labor** prices could increase the

capital expenditures needed to construct a new store or remodel an existing store and, as a result, could increase the investment required and our rent obligations. Widespread health pandemics could materially impact our business, results of operations and financial condition. The COVID- 19 pandemic and resulting government mandates significantly impacted our operations. Although our operations have stabilized since ~~the height of~~ the pandemic, in the event there is a widespread regional, national or global health epidemic or pandemic in the future, including outbreaks of COVID- 19 variants, our business could be severely impacted. Although the potential effects that COVID- 19 may continue to have on us, or that global health pandemics unrelated to COVID- 19 may have in the future, are not clear, such impacts could materially adversely affect our business, financial condition and results of operations. We may be unable to compete effectively in our markets, which are highly competitive. The markets for natural and organic groceries and dietary supplements are large, fragmented and highly competitive, with few barriers to entry. Our competition varies by market and includes ~~conventional~~ supermarkets, natural, gourmet and specialty food markets, mass and discount retailers, foreign- based discount retailers, warehouse clubs, independent health food stores, dietary supplement retailers, drug stores, farmers' markets, food co- ops, online retailers and multi- level marketers. These businesses compete with us on the basis of price, selection, quality, customer service, convenience, location, store format, shopping experience, ease of ordering and delivery or any combination of these or other factors. They also compete with us for products and locations. To the extent our competitors lower their prices, our ability to maintain sales levels and operating margins may be negatively impacted. In addition, some of our competitors are expanding their natural and organic food offerings, increasing the space allocated to natural and organic foods and enhancing options of engaging with and delivering their products to customers. Many of our competitors are larger, more established and have greater financial, marketing and other resources than we do, and may be able to adapt to changes in consumer preferences more quickly, devote greater resources to the marketing and sale of their products, or generate greater brand recognition. In addition, we **may** face internally generated competition when we open new stores in markets we already serve. An inability to compete effectively may cause us to lose market share to our competitors and could have a material adverse effect on our business, financial condition and results of operations. An inability to maintain or increase our operating margins could adversely affect our results of operations. We intend to continue our focus on improving our operating margins by leveraging more efficiencies of scale, additional improved systems, further cost discipline, added focus on appropriate store labor levels and even more disciplined product selection. If we are unable to successfully manage the potential difficulties associated with store growth, we may not be able to capture the efficiencies of scale that we expect from expansion. If we are not able to capture greater efficiencies of scale, improve our systems, further enhance our cost discipline and increase our focus on appropriate store labor levels and disciplined product selection, we may not be able to achieve our goals with respect to operating margins. In addition, if we do not adequately refine and improve our various ordering, tracking and allocation systems, we may not be able to increase sales and reduce inventory shrink. Further, pricing pressures from competitors and the impact of the product discounts ~~we offered~~ **offer** by the { N } ~~power customer rewards program~~ may also adversely impact our operating margins. As a result, our operating margins may stagnate or decline, which could have a material adverse effect on our business, financial condition and results of operations and adversely affect the price of our common stock. A reduction in traffic to anchor stores in the shopping areas in close proximity to our stores could significantly reduce our sales and leave us with unsold inventory, which could have a material adverse effect on our business, financial condition and results of operations. Many of our stores are located in close proximity to shopping areas that may also accommodate other well- known anchor stores. Sales at our stores are derived, in part, from the volume of traffic generated by the other anchor stores in the shopping areas where our stores are located. Customer traffic may be adversely affected by enhanced customer reliance on ecommerce to meet their shopping needs, regional economic downturns, a general downturn in the local area where our store is located, long- term nearby road construction projects, the closing of nearby anchor stores or other nearby stores or the decline of the shopping environment in a particular shopping area. Any of these events could reduce our sales and leave us with excess inventory, which could have a material adverse effect on our business, financial condition and results of operations. In response to such events, we may be required to increase markdowns or initiate marketing promotions to reduce excess inventory, which could further decrease our gross profits and net income. We may experience product recalls, withdrawals or seizures which could reduce our sales and adversely affect our results of operations. We may be subject to product recalls, withdrawals or seizures if any of the products we sell is believed to cause injury or illness or if we are alleged to have violated governmental regulations in the labeling, promotion, sale or distribution of any such products. A significant recall, withdrawal or seizure of any of the products we sell may require significant management attention, could result in substantial and unexpected costs and may adversely affect our business, financial condition or results of operations. Furthermore, a recall, withdrawal or seizure of any of the products we sell may adversely affect consumer confidence in our brands and thus decrease consumer demand for the products we sell. We rely on our suppliers to ensure that the products they manufacture and sell to us comply with all applicable regulatory and legislative requirements. In general, we seek representations and warranties, indemnification and / or insurance from our suppliers. However, even with adequate insurance and indemnification, any claims of non- compliance could significantly damage our reputation and consumer confidence in the products we sell. In addition, the failure of those products to comply with applicable regulatory and legislative requirements could prevent us from marketing the products or require us to recall or remove such products from the market, which in certain cases could materially and adversely affect our business, financial condition and results of operations. Our future business, results of operations and financial condition may be adversely affected by reduced availability of certified organic products or products that meet our other internal standards. Our ability to ensure a continuing supply of products and ingredients at competitive prices that satisfy our minimum standards depends on many factors beyond our control, such as the number and size of farms that grow organic crops, operate pasture- based dairies, maintain free- range laying hens and undertake to raise livestock without the use of growth hormones, antibiotics or concentrated livestock feeding; the vagaries of these farming businesses; and our ability to accurately forecast our sourcing requirements. The organic ingredients used in many of the products we sell are vulnerable to adverse weather conditions, the

effects of climate change and natural disasters, such as floods, droughts, frosts, earthquakes, tornadoes, hurricanes and pestilences. Adverse weather conditions and natural disasters can lower herd, flock and crop yields and reduce size and quality, which in turn could reduce the available supply of, or increase the price of, organic ingredients. Certain products we purchase from our suppliers include organic ingredients sourced offshore, and the availability of such ingredients may be affected by events in other countries. For our organic produce suppliers, there is some concern that implementation of the FSMA may impact the ability of produce growers to farm organically. In the final Produce Safety Rule, the FDA stated that it would exercise enforcement discretion regarding farmers complying with the USDA National Organic Program (NOP) standards for the application of biological soil amendments, which are a significant source of fertility input for organic production. But at the same time, the FDA stated that the NOP standard is not a food safety standard and that it would study and set a science based minimum standard at a later date and may promulgate a standard for the application of biological soil amendments that **limits changes the ability of manner in which** organic growers **apply to use** these inputs. The increased regulation and cost of growing produce due to the Produce Safety Rule may impact organic produce suppliers. In addition, we and our suppliers compete with other food producers in the procurement of products that satisfy our minimum standards for organic produce, dairy products, eggs and meat, which are often less plentiful in the open market than conventional ingredients and products. This competition may increase in the future if consumer demand increases for organic produce, dairy products from pasture- raised animals, eggs from free- range or pastured hens, and meat from naturally raised livestock. If supplies of these products are reduced, or there is greater demand for such ingredients and products from us and others, we may not be able to obtain sufficient supply on favorable terms, or at all, which could impact our ability to supply products to our stores and may adversely affect our business, results of operations and financial condition. The certified organic products we sell must be produced in compliance with government regulations and must comply with the requirements of the NOP in order to be labeled as such. Certain products we sell in our stores could lose their “ organic ” certification if their operation does not comply with the applicable standards and required practices of the NOP, including foreign operations using practices allowed under their country’ s respective organic equivalency agreement. The loss of any certifications could reduce the availability of organic products that we can sell in our stores and harm our business. Disruptions affecting our significant suppliers, or our relationships with such suppliers, could negatively affect our business. UNFI is our single largest third- party supplier, accounting for approximately 68 % of our total purchases in fiscal year **2023-2024**. In fiscal year 2023, we extended our long- term relationship with UNFI as our primary supplier of products in the natural, fresh and produce categories through September 3, 2028, subject to automatic renewals thereafter for successive one- year periods unless otherwise terminated by either party. While we strive to maintain good relations with UNFI, if our distribution agreement with UNFI were terminated or not renewed, we may be unable to establish alternative distribution channels on reasonable terms or at all. Due to this concentration of purchases from a single third- party supplier, the cancellation or non- renewal of our distribution agreement with UNFI, or the disruption, delay or inability of UNFI to deliver product to our stores, could materially and adversely affect our business, financial condition and results of operations. In addition, if UNFI or any of our other suppliers fail to comply with food safety, labeling or other laws and regulations, or face allegations of non- compliance, that supplier’ s operations may be disrupted, which in turn could have a material adverse effect on our business, financial condition and results of operations. We and certain of our vendors use overseas sourcing to varying degrees to manufacture some or all of the products we sell. Any event causing a sudden disruption of manufacturing or imports from such foreign countries, including changes in the United States’ foreign trade policies resulting in the imposition of additional import restrictions, withdrawal from, or material modifications to, international trade agreements, unanticipated political changes, increased customs duties or tariffs, labor disputes, health epidemics, adverse weather conditions, crop failure, acts of war or terrorism, legal or economic restrictions on overseas suppliers’ ability to produce and deliver products, and natural disasters, could increase our costs and materially harm our business, financial condition and results of operations. Our business is also subject to a variety of other risks generally associated with indirectly sourcing goods from abroad, such as political instability, disruption of imports by labor disputes, currency fluctuations and local business practices. In addition, requirements imposed by the FSMA compel importers to verify that food products and ingredients produced by a foreign supplier comply with all applicable legal and regulatory requirements enforced by the FDA, which could result in certain products being deemed ineligible for import. In addition, the Department of Homeland Security may at times prevent the importation or customs clearance of certain products and ingredients for reasons unrelated to food safety. Adverse weather conditions, natural disasters and the effects of climate change could disrupt our supply chain and adversely impact our sales and financial performance. Adverse weather conditions and natural disasters could impact customer traffic at our stores, make it more difficult to fully staff our stores and, in more severe cases, such as hurricanes, earthquakes, floods, droughts, tornadoes or blizzards, eliminate the availability, or significantly increase the cost, of the products we sell, reduce or eliminate our ability to deliver supplies to the affected stores and cause closures of the affected stores, sometimes for prolonged periods of time. In addition, climate change could reduce or eliminate the availability, or significantly increase the cost, of the products we sell at our stores. The increasing frequency and unpredictability of adverse weather conditions may result in decreased customer traffic, less accurate year- to- year comparisons in sales, supply disruptions and other factors affecting our financial performance. The response of federal, state and local governmental bodies and agencies to climate change through regulations, mandates, reporting and disclosure requirements, taxes or levies could materially increase our cost to operate, obtain products at a reasonable price or build and operate our store facilities, resulting in a material adverse effect on our financial results. Any of these situations could have a material adverse effect on our business, financial condition and results of operations. Acts of violence at or threatened against our stores or the shopping centers in which they are located, including active shooter situations and terrorist acts, could adversely impact our sales, which could materially adversely affect our financial performance. Any act of violence at or threatened against our stores or the shopping centers in which they are located, including active shooter situations and terrorist acts, may result in restricted access to our stores or store closures in the short- term and, in the long- term, may cause our

customers and Crew members to avoid our stores. Any such situation could adversely impact customer traffic and make it more difficult to fully staff our stores, which could have a material adverse effect on our business, financial condition and results of operations. The current geographic concentration of our stores creates exposure to local economies, regional downturns, severe weather and other catastrophic occurrences. As of September 30, 2023-2024, we had primary store concentration in Colorado and Texas, operating 44-46 stores and 23 stores in those states, respectively. As a result, our business is currently more susceptible to regional conditions than the operations of more geographically diversified competitors, and we are vulnerable to economic downturns in those regions. Any unforeseen events or circumstances that negatively affect these areas could materially adversely affect our revenue and profitability. These factors include, among other things, changes in demographics, population, competition, consumer preferences, wage increases, new or revised laws or regulations, fires, floods or other natural disasters in these regions. Such conditions may result in reduced customer traffic and spending in our stores, physical damage to our stores, loss of inventory, closure of one or more of our stores, inadequate work force in our markets, temporary disruption in the supply of products, delays in the delivery of goods to our stores and a reduction in the availability of products in our stores. Any of these factors may disrupt our business and materially adversely affect our business, financial condition and results of operations. If we fail to maintain our reputation and the value of our brand, our sales may decline. We believe our continued success depends on our ability to maintain and grow the value of the Natural Grocers brand. Maintaining, promoting and positioning our brand and reputation will depend largely on the success of our marketing and merchandising efforts and our ability to provide a consistent, high- quality customer experience. Brand value is based in large part on perceptions of subjective qualities, and business incidents, whether isolated or recurring, can erode consumer trust and confidence, particularly if they result in adverse publicity, governmental investigations or litigation. Our failure, or perceived failure, to achieve these objectives, or the tarnishing of our public image or reputation by negative publicity, could significantly reduce our brand value, trigger boycotts of our stores or products or demonstrations at our stores and have a materially adverse effect on our business, financial condition and results of operations. Sources of negative publicity may include, among others, social media posts, investment or financial community posts, concerns regarding the safety of natural and organic products or dietary supplements and poor reviews of our stores, products, customer service and employment environment. Perishable food product losses could materially impact our results of operations. Our stores offer a significant number of perishable products. Our offering of perishable products may result in significant product inventory losses in the event of extended power or other utility outages, natural disasters or other catastrophic occurrences. The decision by certain of our suppliers to distribute their specialty products through other retail distribution channels could negatively impact our revenue from the sale of such products. Some of the specialty retail products that we sell in our stores are not generally available through other retail distribution channels such as drug stores, conventional grocery stores or mass merchandisers. In the future, our suppliers could decide to distribute such products through other retail distribution channels, allowing more of our competitors to offer these products to our core customers, which could negatively impact our revenue. Our ability to operate our business effectively could be impaired if we fail to retain or attract key personnel or are unable to attract, train and retain qualified employees. Our business requires disciplined execution at all levels of our organization. This execution requires an experienced and talented management team. The loss of any member of our senior management team could have a material adverse effect on our ability to operate our business, financial condition and results of operations, unless, and until, we are able to find a qualified replacement. Furthermore, our ability to manage our new store growth will require us to attract, motivate and retain qualified managers, NHCs and store employees who understand and appreciate our culture and are able to represent our brand effectively in our stores. Competition for such personnel is intense, and we may be unable to attract, assimilate and retain the personnel required to grow and operate our business profitably. Our ability to meet our labor needs, while controlling wage and labor- related costs, is subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force in the markets in which we are located, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and changes in employment legislation, including unemployment benefits. The current labor market has impacted our ability to retain and attract store Crew members and we continue to be challenged by labor shortages broadly impacting the retail industry. If we are unable to offer competitive wages, it may be more difficult for us to identify, hire and retain qualified personnel or the quality of our workforce could decline, causing customer service to be adversely impacted. Any significant interruption in the operations of our bulk food repackaging facility and distribution center or our supply chain network could disrupt our ability to deliver our merchandise in a timely manner. We repack and distribute some of the products we sell through our bulk food repackaging facility and distribution center in Golden, Colorado. Any significant interruption in the operation of our bulk food repackaging and distribution center infrastructure, such as disruptions due to fire, severe weather or other catastrophic events, power outages, labor disagreements, pathogen or toxic contamination, or shipping problems, could adversely impact our ability to receive and process orders, and distribute products to our stores. Such interruptions could result in lost sales, cancelled sales and a loss of customer loyalty to our brand. While we maintain business interruption and property insurance, if the operation of our distribution facility were interrupted for any reason causing delays in shipment of merchandise to our stores, our insurance may not be sufficient to cover losses we experience. This could have a material adverse effect on our business, financial condition and results of operations. In addition, unexpected, prolonged delays in deliveries from vendors that ship directly to our stores or increases in transportation costs (including as a result of increased fuel costs) could have a material adverse effect on our business, financial condition and results of operations. Further, labor shortages or work stoppages in the transportation industry, long- term disruptions to the national and international transportation infrastructure, reductions in capacity and industry- specific regulations such as hours- of- service rules that lead to delays or interruptions of deliveries could adversely affect our business, financial condition and results of operations. Higher wage and benefit costs could adversely affect our business. Changes in federal and state minimum wage laws and other laws relating to employee benefits could cause us to incur additional wage and benefits costs. Increased labor costs brought about by changes in

minimum wage laws, other regulations or prevailing market conditions could increase our expenses, which could have an adverse impact on our profitability, or decrease the number of employees we are able to employ, which could reduce customer service levels and therefore adversely impact sales. During fiscal year 2023-2024, we invested in increased wages for our store Crew members and may be required to do so in the future. Union activity among our Crew members or at third-party transportation companies could disrupt our labor operations and harm our business. In May 2024, a majority of Crew members at one of our stores in Oklahoma voted in favor of representation by the United Food and Commercial Workers Union (the UFCW). The UFCW has sought unsuccessfully to organize at certain other of our stores from time to time, and we could face organizing activities among at other of our locations in the future. While the number of our Crew members represented by unions is not significant, the unionization of a significant portion of our workforce could disrupt result in work slowdowns, increase our labor costs and reduce the efficiency of our operations and harm at affected locations, adversely affect our flexibility to run our business competitively, and otherwise have a material adverse effect on our business, financial condition and results of operations. Furthermore, our response to any union organizing efforts could adversely impact our reputation, adversely impact our relationship with our Crew members, expose us to legal and regulatory actions, or require us to incur additional costs to defend any such actions. Furthermore, independent independent third-party transportation companies deliver the majority of our merchandise to our stores and to our customers. Some of these third parties employ personnel represented by labor unions. Disruptions in the delivery of merchandise or work stoppages by employees of these third parties could delay the timely receipt of merchandise, which could result in reduced inventory levels and sales, and a loss of customer loyalty to our stores and excess inventory. While all of our Crew members are currently non-union, our Crew members may attempt to organize and join a union. In recent years, the United Food and Commercial Workers Union has sought unsuccessfully to organize workers at certain of our stores. We could face union organizing activities at other locations. The unionization of all or a portion of our workforce could result in work slowdowns, could increase our overall costs and reduce the efficiency of our operations at the affected locations, could adversely affect impact our profitability flexibility to run our business competitively, and could otherwise have a material adverse effect on our business, financial condition, and results of operations. Future events could result in impairment of long-lived assets, which may result in charges that adversely affect our results of operations and capitalization. Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Our impairment evaluations require use of financial estimates of future cash flows. Application of alternative assumptions could produce significantly different results. During fiscal year 2023-2024, we recognized long-lived asset impairment charges of \$ 1-2, 3-2 million. We may be required to recognize impairments of long-lived assets based on future economic factors such as unfavorable changes in estimated future cash flows of an asset group, which may adversely affect our results of operations and capitalization. We have significant lease obligations, which may adversely affect our liquidity and require us to raise additional capital or continue paying rent for store locations that we no longer operate. We lease our stores, administrative facility and bulk food repackaging facility and distribution center. Our significant level of fixed lease obligations requires us to use a portion of cash generated by our operations to satisfy these obligations, which could create liquidity problems and require us to raise additional capital through debt or equity financings, which may not be available on terms satisfactory to us or at all. We require substantial cash flows from operations to make payments under our leases, all of which provide for periodic increases in rent. If we are unable to make the required payments under the leases, the owners of the relevant locations may, among other things, repossess those assets, which could adversely affect our ability to conduct our operations. Further, the termination of a lease due to the non-payment of rent under such lease would trigger an event of default under our credit facility if such termination could reasonably be expected to have a material adverse effect on our business or our ability to meet our obligations thereunder. In addition, our lease costs could increase because of changes in the real estate markets and supply or demand for real estate sites. We generally cannot cancel our leases, so if we decide to close or relocate a location, we may nonetheless be committed to perform our obligations under the applicable lease including paying the base rent for the remaining lease term. As each lease expires, we may fail to negotiate renewals, either on commercially acceptable terms or any terms at all, and may not be able to find replacement locations that will provide for the same success as current store locations. Any material disruption to or failure of our information systems could negatively impact our operations. We rely extensively on a variety of information systems to effectively manage the operations of our growing store base, including for point-of-sale processing in our stores, supply chain, financial reporting, human resources and various other processes and transactions. Our information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events and usage errors by our Crew members. In addition, our information technology systems may also fail to perform as anticipated, and we may encounter difficulties in implementing new systems, adapting these systems to changing technologies or expanding them to meet the future needs and growth of our business. If our information systems are breached, disrupted, damaged, encrypted by ransomware, or fail to perform as designed, we may have to make significant investments to repair or replace them; suffer interruptions in our operations; experience data loss; incur liability to our customers, Crew members and others; face costly litigation, enforcement actions and penalties; and suffer harm to our reputation with our customers. Furthermore, changes in technology could cause our information systems to become obsolete, as a result of which it may be necessary to incur additional costs to upgrade such systems. If our information systems prove inadequate to handle our growth, we could lose customers, which could have a material adverse effect on our business, financial condition and results of operations. We are also vulnerable to certain risks and uncertainties associated with our website and mobile app, including changes in required technology interfaces, website downtime and other technical failures and consumer privacy concerns. Various third parties, such as our suppliers and payment processors, also rely heavily on information technology systems, and any failure of these third-party systems could also cause loss of sales, transactional or other data and significant interruptions to our business. Any material interruption in the

information technology systems we rely on could have a material adverse effect on our business, operating results and financial condition. Failure to protect our information systems against cyber- attacks or information security breaches, including failure to protect the integrity and security of individually identifiable data of our customers and Crew members, could expose us to litigation, damage our reputation and have a material adverse effect on our business. We rely on computer systems and information technology to conduct our business, including to securely transmit data associated with cashless payments. These systems and technology are increasingly complex and vital to our operations, which has resulted in an expansion of our technological presence and corresponding risk exposure. In addition, these systems are inherently vulnerable to disruption or failure, as well as internal and external security breaches, denial of service attacks and other disruptive problems caused by hackers. If we were to experience difficulties maintaining or operating existing systems or implementing new systems, or were subject to a significant security breach or attack, we could incur significant losses due to disruptions in our operations. In addition, we receive and maintain certain personal information about our customers and Crew members. The use of this information by us is regulated by applicable law. Privacy and information security laws and regulations change, and compliance with updates may result in cost increases due to necessary systems changes and the development of new administrative processes. Although we have implemented procedures to protect our information, we cannot be certain that our security systems will successfully defend against rapidly evolving, increasingly sophisticated cyber- attacks as they become more difficult to detect and defend against. Our continued investment in our information technology systems may not effectively insulate us from potential attacks, breaches or disruptions to our business operations. If our security and information systems are breached or compromised, or if our Crew members fail to comply with applicable laws and regulations, and personal or other confidential information is obtained by unauthorized persons or used inappropriately, it could interrupt our business, resulting in a slowdown of our normal business activities or limitations on our ability to process credit card transactions, and could adversely affect our reputation, ability to compete in the food retail marketplace, financial condition and results of operations. Additionally, a data security breach could subject us to litigation, customer demands for indemnification for third party claims and / or the imposition of penalties, fines or other assessments. In such event, our liability could exceed our insurance coverage or our ability to pay. In addition, a data security breach could require that we expend significant amounts to remediate the breach, including changes in our information security systems. In recent years, we have implemented numerous additional security protocols in order to further enhance security, including the installation of EMV (**Europay, Mastercard and Visa**), or chip and PIN, and point- to- point encryption on our point- of- sale terminals at all our stores. However, there can be no assurance that data security breaches will not occur in the future, or that any such data security breach will be detected in a timely manner. Claims under our self- insurance program may differ from our estimates, which could negatively impact our results of operations. We currently maintain insurance customary for businesses of our size and type using a combination of insurance and self- insurance plans to provide for the potential liabilities for workers' compensation, general liability, professional liability, property insurance, director and officers' liability insurance, cyber risk, vehicle liability and employee health- care benefits. There are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Such losses could have a material adverse effect on our business and results of operations. In addition, liabilities associated with the risks that are retained by us are estimated, in part, by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions. Our results could be materially impacted by claims and other expenses related to such plans if future occurrences and claims differ from these assumptions and historical trends. If we are unable to protect our intellectual property rights, our ability to compete and the value of our brand could be harmed. We believe that our trademarks or service marks, trade dress, copyrights, trade secrets, know- how and similar intellectual property are important to our success. In particular, we believe that the Natural Grocers name is important to our business, as well as to the implementation of our growth strategy. Our principal intellectual property rights include registered marks on Natural Grocers®, Vitamin Cottage®, Health Hotline®, Natural Grocers by Vitamin Cottage®, Vitamin Cottage Natural Grocers®, EDAP- Every Day Affordable Price®, { N } power®, Organic Headquarters®, Organic Month Headquarters®, Organic Produce Headquarters®, Natural Grocers Cottage Wine and Craft Beer®, Natural Grocers Cottage Craft Beer®, Resolution Reset Day®, These Came First® and Natural Grocers Top 10 Nutrition Trends®, common law intellectual property rights in certain other marks used in our business, copyrights of our website content, rights to our domain names, including www. naturalgrocers. com and www. vitamincottage. com, and trade secrets and know- how with respect to our product sourcing, sales and marketing and other aspects of our business. As such, we rely on trademark or service mark and copyright law, trade secret protection and confidentiality agreements with our Crew members and certain of our consultants, suppliers and others to protect our proprietary rights. If we are unable to defend or protect or preserve the value of our trademarks or service marks, copyrights, trade secrets or other proprietary rights for any reason, our brand and reputation could be impaired and we could lose customers. Although several of our brand names are registered in the United States, we may not be successful in asserting trademark or service mark or trade name protection and the costs required to protect our trademarks or service marks and trade names may be substantial. In addition, the relationship between regulations governing domain names and laws protecting trademarks or service marks and similar proprietary rights is unclear. Therefore, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks or service marks and other proprietary rights. Additionally, other parties may infringe on our intellectual property rights and may thereby dilute our brand in the marketplace. Third parties could also bring additional intellectual property infringement suits against us from time to time to challenge our intellectual property rights. Any such infringement of our intellectual property rights by others, or claims by third parties against us, could likely result in a commitment of our time and resources to protect these rights through litigation or otherwise. If we were to receive an adverse judgment in such a matter, we could suffer further dilution of our trademarks or service marks and other rights, which could harm our ability to compete as well as our business prospects, financial condition and results of operations. Energy costs are a significant component of our operating expenses and increasing energy costs, unless offset by

more efficient usage or other operational responses, may impact our profitability. We utilize natural gas, water, sewer and electricity in our stores and use gasoline and diesel in our trucks that deliver products to our stores. Increases in energy costs, whether driven by increased demand, decreased or disrupted supply or an anticipation of any such events will increase the costs of operating our stores. From time to time, we have experienced increased shipping costs due to higher fuel and freight prices, and these costs may continue to be volatile. We may not be able to recover these rising costs through increased prices charged to our customers, and any increased prices may exacerbate the risk of customers choosing lower- cost alternatives. In addition, if we are unsuccessful in attempts to protect against these increases in energy costs through long- term energy contracts, improved energy procurement, improved efficiency and other operational improvements, the overall costs of operating our stores will increase which could impact our profitability, financial condition and results of operations. Legal proceedings could adversely affect our business, financial condition and results of operations. Our operations, which are characterized by transactions involving a high volume of customer traffic and a wide variety of product selections, carry a higher exposure to consumer litigation risk when compared to the operations of companies operating in certain other industries. Consequently, we may become a party to individual personal injury, product liability and other legal actions in the ordinary course of our business, including litigation arising from food- related illness or product labeling. In addition, our Crew members may from time to time bring lawsuits against us regarding injury, hostile work environment, discrimination, wage and hour disputes, sexual harassment or other employment- related issues. In recent years, there has been an increase in the number of discrimination and harassment claims across the United States generally. While these actions are generally routine in nature, incidental to the operation of our business and immaterial in scope, the outcome of litigation is difficult to assess or quantify. Additionally, we could be exposed to industry- wide or class- action claims arising from the products we carry or industry- specific business practices. While we maintain insurance, such coverage may not be adequate or may not cover a specific legal claim. Moreover, the cost to defend against litigation may be significant. There may also be adverse publicity associated with litigation that may decrease consumer confidence in or perceptions of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation could have a material adverse effect on our business, financial position and results of operations. Effective tax rate changes and results of examinations by taxing authorities could materially impact our results of operations. Our future effective tax rates could be adversely affected by our earnings mix being lower than historical results in states where we have lower statutory rates and higher than historical results in states where we have higher statutory rates, by changes in the valuation of our deferred tax assets and liabilities or by changes in tax laws or interpretations thereof. In addition, we are subject to periodic audits and examinations by the Internal Revenue Service (IRS) and other state and local taxing authorities. Our results could be materially impacted by the determinations and expenses related to proceedings by the IRS and other state and local taxing authorities. Failure to maintain effective internal control over financial reporting could lead to material misstatements in our financial statements. If we are unable to maintain effective internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected. In addition, we could become subject to investigations by the SEC, the NYSE or other regulatory authorities, which could require additional financial and management resources. ~~Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations for many aspects of our business, such as accounting for leases, inventories, useful lives of long- lived assets for depreciation and amortization, goodwill and intangible assets, impairment of finite- lived intangible and long- lived assets, self- insurance reserves, income taxes and share- based compensation assumptions, are highly complex and involve subjective judgments. Changes in these rules or their interpretation or changes in underlying estimates, assumptions or judgments could significantly change or add significant volatility to our reported earnings without a comparable underlying change in cash flow from operations. As a result, changes in accounting standards may materially impact our reported results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Accounting Pronouncements.”~~ If we or our third- party suppliers fail to comply with regulatory requirements, or are unable to provide products that meet our specifications, our business and our reputation could suffer. If we or our third- party suppliers, including suppliers of our Natural Grocers brand private label products, fail to comply with applicable regulatory requirements or to meet our quality specifications, we could be required to take costly corrective action and our reputation could suffer. We do not own or operate any manufacturing facilities, except for our bulk food repackaging facility and distribution center discussed below, and therefore depend upon independent third- party vendors to produce our private label ~~branded~~ **brand** products, such as vitamins, minerals, dietary supplements, body care products, food products and bottled water. Third- party suppliers may not maintain adequate controls, including USDA and FDA mandated good manufacturing practices, with respect to product specifications and quality. Such suppliers may be unable to produce products on a timely basis or in a manner consistent with regulatory requirements. We depend upon our bulk food repackaging facility and distribution center for the majority of our private label bulk food products. We may also be unable to maintain adequate product specification and quality controls at our bulk food repackaging facility and distribution center or produce products on a timely basis and in a manner consistent with regulatory requirements. In addition, we may be required to find new third- party suppliers of our private label products or to find third- party suppliers to source our bulk foods. There can be no assurance that we would be successful in finding such third- party suppliers that meet our quality guidelines. We, as well as our suppliers, are subject to numerous federal, state and local laws and regulations and our compliance with these laws and regulations, as they currently exist or as modified in the future, may increase our costs, limit or eliminate our ability to sell certain products, require recalls of certain products, raise regulatory enforcement risks not present in the past or otherwise adversely affect our business, results of operations and financial condition. We are subject to various federal, state and local laws, regulations and administrative practices that affect our business. Our suppliers and contract manufacturers are also subject to such laws and regulations. The safety, formulation, manufacturing, processing, packaging, importation, labeling, promotion, advertising and distribution of products we sell in our stores, including private label products, are subject to regulation by several

federal agencies, including the FDA, the FTC, the USDA, the CPSC and the EPA, as well as by various state and local agencies. Dietary Supplement Risks. Our sale of dietary supplements is subject to the FDA's comprehensive regulatory authority under the FDCA, as amended by DSHEA. DSHEA greatly expanded the FDA's regulatory authority over dietary supplements and empowered the FDA to establish good manufacturing practice regulations governing key aspects of the production of dietary supplements, including quality control, packaging and labeling. Under DSHEA, a person or firm that markets a dietary supplement with structure, function, general well-being or nutrient deficiency claims on the product labeling must notify FDA about the claim within thirty days after first marketing the dietary supplement with the claim and no dietary supplement may bear a statement that expressly or implicitly represents that such supplement will diagnose, cure, treat or prevent a disease. If these laws and regulations were violated by our management, Crew members, suppliers, distributors or vendors, we could be subject to regulatory enforcement action, public warning letters, product recalls, fines, penalties and sanctions, including injunctions against the future shipment and sale of products, seizure and confiscation of products, prohibition on the operation of our stores, restitution and disgorgement of profits, operating restrictions and even criminal prosecution in some circumstances. In addition, other public and private actors are increasingly targeting dietary supplement retailers and manufacturers with class action lawsuits for selling products that allegedly fail to adhere to the requirements of FDCA, DSHEA, and other federal and state statutes and requirements, including for failing to adhere to current good manufacturing practices, making false or misleading product statements, providing inaccurate ingredient identity and potency, and failing to control or disclose allergens, contaminants, residues and adulterants, as well as for state common and statutory laws regarding deceptive trade practices. In addition, DSHEA differentiates between old dietary ingredients, or ODIs (i. e., those ingredients present in the food supply prior to October 15, 1994, which require no pre-market notification to the FDA), and new dietary ingredients, or NDIs (i. e., those ingredients not proven to be present in the food supply prior to October 15, 1994, which do require pre-market notification to the FDA). The FDA requires the submission of a premarket notification (NDIN) to the FDA at least 75 days before a product containing an NDI is sold. ~~In draft guidance, the FDA has stated that it is aware that some manufacturers and distributors have marketed dietary supplements for which premarket NDINs were required, but never submitted. The FDA has stated that it will exercise enforcement discretion on such products marketed before May 20, 2022, for which no NDINs were submitted, until 180 days after a final rule is published in the Federal Register. This Policy reflects the FDA's intent to begin more robust~~ enforcement of the pre-market notification requirements for NDIs, ~~which~~ could result in the removal of certain dietary supplement products that we sell. In addition, the FDA has not yet promulgated a definitive list of ODIs, but if it does, such a list of ODIs could disrupt the supply of any dietary supplements made from ingredients that are currently believed to pre-date DSHEA but are not ultimately classified as ODIs. Accordingly, changes in dietary supplement regulation could also materially adversely affect the cost and availability of the dietary supplement products that we sell. Advertising and Products Claims Risks. We could also be the target of claims relating to false or deceptive advertising in connection with the marketing and advertising of the products we sell, including under the auspices of the FTC, the consumer protection statutes of some states as well as certain non-government watchdog groups and class action law firms. In addition, the FDA has aggressively enforced its regulations with respect to structure / function claims (e. g., "calcium builds strong bones"), ~~health claims (e. g., "adequate calcium throughout life may reduce the risk of osteoporosis")~~, nutrient content claims (e. g., "high in antioxidants") and other claims that impermissibly suggest therapeutic benefits for certain foods or food components. In addition, the number of private consumer class actions relating to false or deceptive advertising against cosmetic, food, beverage and nutritional supplement manufacturers has increased in recent years. These events could interrupt the marketing and sales of products in our stores, including our private label products, severely damage our brand reputation and public image, increase the cost of products in our stores, result in product recalls or litigation, and impede our ability to deliver merchandise in sufficient quantities or quality to our stores, which could result in a material adverse effect on our business, financial condition, results of operations and cash flows. Our reputation could also suffer from real or perceived issues involving the labeling or marketing of products we sell as "natural." Although the FDA and the USDA have each issued statements regarding the appropriate use of the word "natural," and the FDA has indicated it intends to define the term, there is currently no single U. S. government-regulated definition of the term "natural" for use in the food industry. The resulting uncertainty has led to consumer confusion, distrust and a growing number of legal challenges. Plaintiffs have commenced class action litigation against a number of food companies and retailers that market "natural" products, asserting false, misleading and deceptive advertising and labeling claims. Should we become subject to similar lawsuits or claims, consumers may avoid purchasing products from us or seek alternatives, even if the basis for the claim is ultimately determined to be unfounded. Adverse publicity about these matters may discourage consumers from buying our products. Further, the cost of defending against any such class actions could be significant. Any loss of confidence on the part of consumers in the truthfulness of our labeling 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 a material adverse effect on our business, financial condition, results of operations and cash flows. **Such claims could expose us to the potential of substantial damages awards, particularly for private label products, as well as the costs of defending such claims. "Healthy" Claims. Due to increased adherence by food and dietary supplement companies to FDA regulations regarding the current requirements for "healthy" claims, plaintiffs' consumer class action lawyers have filed lawsuits asserting that certain advertising terms are equivalent to "healthy" (e. g., "nutritious") and the challenged products either do not meet the FDA's current requirements for "healthy," or, even if they do, the products contain too much added sugar to qualify as healthy as set forth in draft regulations recently proposed by the FDA. Should we become subject to similar lawsuits or claims, consumers may avoid purchasing products from us or seek alternatives, even if the basis for the claim is ultimately determined to be unfounded. Adverse publicity about these matters may discourage consumers from buying our products. Further, the cost of defending against any such class actions could be significant and, to the extent we are found liable, result in substantial monetary damages. Any loss of**

confidence on the part of consumers in the truthfulness of our labeling 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 a material adverse effect on our business, financial condition, results of operations and cash flows.

Organic and Non- GMO Claims. We are also subject to the requirements of the USDA’s National Organic Program (NOP), which establishes federal standards for organically produced agricultural products. The NOP regulations assure our customers that products with the “USDA Organic” seal meet consistent and uniform standards. The failure of one or more of our suppliers to comply with the NOP regulations could cause a disruption in the supply of our product offerings. In addition, the USDA has recently set forth final rules on the labeling of food produced with bioengineering called the National Bioengineered Food Disclosure Standard. Voluntary compliance with these rules began in January 2020 and the deadline for mandatory compliance was January 1, 2022. The Agricultural Marketing Service (AMS) of the USDA authorizes AMS to enforce compliance with the standard through records audits and examinations, hearings, and public disclosure of the summary of the results of audits, examinations, and similar activities. Public disclosure of our suppliers’ violations of the National Bioengineered Food Disclosure Standard could result in a loss of confidence on the part of consumers in the truthfulness of our labeling or ingredient claims.

PFAS Statutes and Lawsuits. Many states have enacted laws prohibiting the intentional inclusion of PFAS in any amount or the unintentional inclusion of PFAS in defined amounts in certain of the products we sell, particularly packaged food products. If any of the products we sell violate these statutes, we may be subject to civil penalties, restitution, injunctive relief, or possibly criminal penalties. In addition, plaintiffs’ class action lawyers have begun filing lawsuits relating to PFAS, either under the theory that the presence of PFAS renders certain advertising claims false or misleading or actual product liability claims for injury based on the presence of PFAS in human blood. Should we become subject to similar lawsuits or claims, consumers may avoid purchasing products from us or seek alternatives, even if the basis for the claim is ultimately determined to be unfounded. Adverse publicity about these matters may discourage consumers from buying our products. Further, the cost of defending against any such class actions could be significant and, to the extent we are found liable, result in substantial monetary damages. Any loss of confidence on the part of consumers in the truthfulness of our labeling or ingredient claims or in our products, themselves, 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 a material adverse effect on our business, financial condition, results of operations and cash flows.

FSMA Implementation Risks. The FSMA significantly expanded food safety requirements and the FDA’s regulatory authority over food safety. Voluminous regulations and rules issued under the FSMA ~~have been promulgated~~ ~~are in varying degrees of implementation.~~ In addition, the FSMA ~~required~~ **requires** the FDA to establish science- based minimum standards for the safe production and harvesting of produce and increase inspection of foreign and domestic facilities. With respect to both food products and dietary supplements, the FSMA meaningfully augmented the FDA’s ability to access both producers’ and suppliers’ records and added new records that must be created and maintained. The FSMA also requires the implementation of enhanced tracking and tracing of food and dietary supplements through production and distribution and, as a result, added recordkeeping burdens upon our suppliers. In addition, under the FSMA, the FDA now has the authority to inspect facilities, certifications and supplier documentation to evaluate whether foods and ingredients from our suppliers are compliant with applicable regulatory requirements. Such FDA inspections, and regulatory actions resulting therefrom, may require product recalls, delay the supply of certain products or result in certain products being unavailable to us for sale in our stores. The implementation of the FSMA requirements may be too expensive or too complicated for some of our suppliers, which may increase the cost, or curtail or eliminate the supply, of certain products that we purchase from small and / or local suppliers.

Homeopathic Products. In recent years, the FDA and FTC have increased their regulatory scrutiny of homeopathic drug products. On December 6, 2022, the FDA issued final guidance on homeopathic drugs, stating that the agency intends to take a risk- based approach to reviewing how some homeopathic drug products are marketed, under which it will prioritize enforcement and regulatory actions for homeopathic products posing the greatest risk to patients. According to the FDA, homeopathic products posing the greatest risk are those with reported safety concerns, that contain or purport to contain ingredients associated with potentially significant safety concerns, that are administered via routes other than orally or topically, that claim to treat or prevent serious and / or life- threatening diseases and conditions, are marketed to vulnerable populations (e. g., children, pregnant women, and the elderly), or that have significant quality issues. This guidance and related enforcement action may adversely impact the availability of certain homeopathic products for sale in our stores.

Third- Party Risks. We rely on our suppliers and contract manufacturers to ensure that the products they manufacture and sell to us comply with all applicable regulatory requirements and are made using FDA- mandated good manufacturing practices. In general, we seek certifications of compliance, representations and warranties, indemnification and / or insurance from our suppliers and contract manufacturers, **directly or through our distributor**. However, even with adequate insurance and indemnification, the failure of any products to comply with applicable regulatory requirements could prevent us from marketing such products or require us to recall or remove such products from our stores. In addition, any claims of non-compliance could significantly damage our reputation and consumer confidence in the products we sell. **Other Regulatory Risks.** We are also subject to laws and regulations more generally applicable to retailers, including labor and employment, taxation, zoning and land use, environmental protection, workplace safety, public health, advertising and selling practices, alcoholic beverage sales, **and handling and, transport and sale** of products derived from industrial hemp. We cannot predict the nature of future laws, regulations, interpretations or applications, or determine what effect either additional government regulations or administrative orders, when and if promulgated, or disparate federal, state and local regulatory schemes could have on our business in the future. They could, however, require the reformulation of certain products to meet new standards, the recall or discontinuance of certain products not able to be reformulated, additional recordkeeping, expanded documentation of the properties of certain products, expanded or different labeling and scientific substantiation. Any or all of such requirements could

materially and adversely affect our business, financial condition and results of operations. Our sale of products containing cannabidiol (CBD) could lead to regulatory action by federal, state and / or local authorities or legal proceedings brought by or on behalf of consumers. The Agricultural Improvement Act of 2018 (the 2018 Farm Bill) legalized the cultivation, processing and sale of “ industrial hemp ” (i. e., cannabis containing no more than 0. 3 % tetrahydrocannabinol, or THC). Industrial hemp contains CBD, a non- psychoactive compound. Despite the provisions of the 2018 Farm Bill and subsequent U. S. Department of Agriculture rules, uncertainty exists concerning the legal and regulatory status of finished products containing CBD. The FDA prohibits the inclusion of CBD in the food supply and dietary supplements even if they are derived from industrial hemp on the basis that CBD is an active ingredient in FDA- approved drugs, and, therefore, its addition to foods and dietary supplements is unlawful under the federal Food, Drug, and Cosmetic Act (the FDCA). The FDA has yet to establish a regulatory framework for the manufacture and sale of products containing CBD, and has sent warning letters, sometimes in concert with the Federal Trade Commission (FTC), to certain CBD manufacturers that are alleged to have marketed their products in violation of the FDCA. The warning letters focus on allegations that the CBD manufacturers have marketed the products through unsubstantiated health claims. The FDA also announced that it cannot conclude based on current published studies that CBD is generally recognized as safe (GRAS) for use in human and animal food products. Food and beverage products, including nutritional supplements, which contain non- GRAS ingredients are considered to be adulterated under the FDCA. In addition, certain state and local governments have taken action to restrict or prohibit the sale of products containing CBD. Further, class action lawsuits have been filed against certain CBD manufacturers alleging that their products are misbranded, mislabeled and falsely advertised under state consumer protection laws. We sell products containing CBD at certain of our stores. While we strive to sell products containing CBD only in states and localities where such sale is permissible, state and local authorities in those areas may adopt new laws and regulations, or adopt interpretations of existing laws and regulations, that restrict or prohibit the sale of products containing CBD. Further, we could be subject to regulatory action brought by federal, state and / or local authorities, or legal proceedings brought by or on behalf of consumers, that allege, among other things, that: (i) our sale of products containing CBD violates applicable federal or state law (including applicable state consumer protection laws); (ii) the products we sell that contain CBD are adulterated, contaminated, or have been misbranded or labeled in violation of applicable rules, regulations or standards of the FDA, the FDCA or any other federal or state law or agency; (iii) the products we sell that contain CBD have been labeled with (a) express or implied health claims that are not supported by appropriate scientific evidence or (b) claims that are difficult or impossible to verify; (iv) the products we sell that contain CBD have been labeled with inappropriate dosing instructions or use recommendations; (v) the products we sell that contain CBD have been improperly tested or evaluated or do not contain the stated concentration of CBD; and (vi) the products we sell that contain CBD contain more than the legally allowable concentration of THC **or other potentially intoxicating compounds**. Any such regulatory action or legal proceeding could have a material adverse effect on our business, financial position and results of operations. The activities of our Nutritional Health Coaches and our nutrition education services may be impacted by government regulation or an inability to secure adequate liability insurance. Some of the activities of our NHCs, who, among other duties, provide nutrition oriented educational services to our customers, may be subject to state and federal regulation and oversight by professional organizations, or may be misconstrued by our customers as medical advice. In the past, the FDA has expressed concerns regarding summarized health and nutrition- related information that: (i) does not, in the FDA’ s view, accurately present such information; (ii) diverts a consumer’ s attention and focus from FDA- required nutrition labeling and information; or (iii) impermissibly promotes drug- type disease- related benefits. Although we provide training to our NHCs on relevant regulatory requirements, we cannot control the actions of such individuals, and our NHCs may not act in accordance with such regulations. If our NHCs or other Crew members do not act in accordance with regulatory requirements, we may become subject to penalties or litigation, which could have a material adverse effect on our business. We believe we are currently compliant with relevant regulatory requirements, and we maintain professional liability insurance on behalf of our NHCs in order to mitigate risks associated with our NHCs’ nutrition oriented educational activities. However, we cannot predict the nature of future government regulation and oversight, including the potential impact of any such regulation on the services currently provided by our NHCs. Furthermore, the availability of professional liability insurance or the scope of such coverage may change, or our insurance coverage may prove inadequate, which may adversely impact the ability of our NHCs to provide some services to our customers. The occurrence of any such developments could negatively impact the perception of our brand, our sales, our ability to attract new customers and liability for governmental or third party claims. Consumers or regulatory agencies may challenge certain claims made regarding the products we sell. Our reputation could also suffer from real or perceived issues involving the labeling or marketing of the products we sell. Products that we sell may carry claims as to the origin, purity, potency, and identify of ingredients, and claims regarding efficacy or health benefits, one example is the use of the term “ natural. ” Although the FDA and USDA each has issued statements regarding the appropriate use of the word “ natural, ” there is no single United States government- regulated definition of the term “ natural ” for use in the food industry. The resulting uncertainty has led to consumer confusion, distrust and legal challenges. Plaintiffs have commenced legal actions against a number of food companies that market “ natural ” products, asserting false, misleading and deceptive advertising and labeling claims, including claims related to genetically modified ingredients. In limited circumstances, the FDA and state attorneys general have taken regulatory action against products labeled “ natural ” but that nonetheless contain synthetic ingredients or components. Another example is products not made from animal ingredients but identified on their labels as “ meat ” or “ milk ” or similar terms may also be subject to current state regulatory constraints and new regulatory constraints or legal challenges regarding the accuracy and legality of these terms. 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. Adverse publicity about these matters may discourage consumers from buying the products we sell. The cost of defending against any such claims could be significant. Any loss of confidence on the part of consumers in the truthfulness of our labeling or ingredient claims could 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 a material adverse effect on our business, financial condition and results of operations. The products we sell could suffer from real or perceived quality or food safety concerns and may cause unexpected side effects, illness, injury or death that could result in their discontinuance or expose us to lawsuits, any of which could result in unexpected costs and damage to our reputation. We could be materially, adversely affected if consumers lose confidence in the safety and quality of products we sell. There is substantial governmental scrutiny of and public awareness regarding food, cosmetics and dietary supplement safety. We believe that many customers hold us to a higher quality standard than other retailers. Many of the products we sell are vitamins, herbs and other ingredients that are classified as foods or dietary supplements and are not subject to pre-market regulatory approval in the United States. The products we sell could contain contaminated substances, and some of the products we sell contain ingredients **or residual substances** that do not have long histories of human consumption. Previously unknown adverse reactions resulting from human use or consumption of these ingredients could occur. Unexpected side effects, illness, injury or death caused by the products we sell could result in the discontinuance of sales of the products we sell or prevent us from achieving market acceptance of the affected products. Such side effects, illnesses, injuries and death could also expose us to product liability or negligence lawsuits. Any claims brought against us may exceed our existing or future insurance policy coverage or limits. Any judgment against us that is in excess of our policy limits would have to be paid from our cash reserves, which would reduce our capital resources. Further, we may not have sufficient capital resources to pay a judgment in which case our creditors could levy against our assets. The real or perceived sale of contaminated or harmful products could result in government enforcement action, private litigation and product recalls. Such an occurrence could also cause negative publicity regarding our Company, brand or products, including negative publicity in social media. The real or perceived sale of contaminated or harmful products could therefore harm our reputation and net sales, have a material adverse effect on our business, financial condition and results of operations, or result in our insolvency. We believe our ability to profitably operate our business depends, in part, upon our access to natural and organic products and dietary supplements. We attempt to protect our interest in this access through ongoing and proactive political advocacy campaigns, including participation in education programs, petitions, letter writing, phone calls, policy conferences, advisory boards, industry groups, public commentary and meetings with trade groups, office holders and regulators. We may publicly ally with and support trade **groups, advocacy** groups, political candidates, government officials and regulators who support a particular policy we consider important to our business and are aligned with our principles regarding access to natural and organic products and dietary supplements. We may, from time to time, publicly oppose other trade groups, **advocacy groups,** candidates, officeholders and regulators whose point of view we believe will harm our business or impede access to nutritious food and dietary supplements. In some cases, we may lose customers and sales because our political advocacy activities are perceived to be contrary to those customers' points of view, political affiliations, political beliefs or voting preferences. Our credit facility could limit our operational flexibility. We are party to a **credit facility consisting of a \$ 75.72.05 million revolving loan facility (our Revolving Facility) and , prior to its repayment in September 2024, a fully drawn \$ 35.0 million term loan facility (our Term Loan Facility, and together with our Revolving Facility, our Credit Facility).** Our Credit Facility is secured by a lien on substantially all of our assets and contains usual and customary restrictive covenants relating to our management and the operation of our business. These covenants, among other things, restrict our ability to incur additional indebtedness; grant liens; engage in certain merger, consolidation or asset sale transactions; make certain investments; make loans, advances, guarantees or acquisitions; engage in certain transactions with affiliates; pay dividends or repurchase shares of our common stock; and permit certain sale and leaseback transactions without lender consent. We are also required to maintain certain financial measurements under our Credit Facility, including a consolidated leverage ratio. These covenants could restrict our operational flexibility and any failure to comply with these covenants or our payment obligations could limit our ability to borrow under our Credit Facility and, in certain circumstances, may allow the lender thereunder to require repayment. We may be unable to generate sufficient cash flow to satisfy our debt service obligations, which could adversely impact our business. As of September 30, **2023-2024**, we had no outstanding indebtedness under our **Revolving Credit** Facility **and \$ 7.7 million of outstanding indebtedness under our Term Loan Facility.** We expect to use available cash and borrowings under our **Revolving Facility to fund our previously announced special cash dividend of \$ 1.00 per common share, which was approved by our Board of Directors (the Board) on November 16, 2023.** We may incur additional indebtedness in the future, including borrowings under our Credit Facility. Satisfying our debt repayment obligations may require us to divert funds identified for other purposes and could impair our liquidity position. Our inability to generate sufficient cash flow to satisfy our debt service obligations could have important consequences, including: • reducing our ability to execute our growth strategy and open new stores, impacting our ability to continue to execute our operational strategies in existing stores; • impairing our liquidity position; • impacting our ability to obtain merchandise from our vendors; • requiring us to delay capital expenditures and divert funds intended for other purposes; • increasing our vulnerability to competitive and general economic conditions; • placing us at a competitive disadvantage compared to our competitors that have less debt; • limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and • adversely affecting our ability to borrow additional funds for working capital, capital expenditures, acquisitions, share repurchases, dividends or other general corporate purposes. If we cannot generate sufficient cash flow from operations to service our debt, we may need to refinance our debt, dispose of assets or issue equity to obtain necessary funds. We do not know whether we will be able to take any of such actions on a timely basis, on terms satisfactory to us or at all. In addition, if we fail to comply with any of the financial covenants or the other restrictions contained in our Credit Facility, an event of default could occur, which may result in the acceleration of all amounts owing under our Credit Facility. Our ability to obtain necessary funds through borrowing will depend on our ability to generate cash flow from operations. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations or if future

borrowings are not available to us under our Credit Facility or otherwise in amounts sufficient to enable us to fund our liquidity needs, our business, financial condition and results of operations may be adversely affected. Our liquidity needs may require us to raise additional capital through debt or equity financings. We depend upon cash flow from our operations and borrowings from our Credit Facility to fund our business and execute on our growth strategy. In the absence of sufficient cash flow from operations, available cash and available borrowing capacity under our Credit Facility, we may be unable to meet our liquidity needs. In that event, we may be required to seek additional equity or debt financing in order to fund capital expenditures, to provide additional working capital for our business or to fund the execution of our growth strategy. In addition, changes in economic conditions, or market conditions requiring a shift in our business model could result in our need for additional debt or equity financing. We cannot predict the timing or amount of any such capital requirements. We do not know whether we will be able to take any of such actions on a timely basis, on terms satisfactory to us or at all. If financing is not available to us on satisfactory terms, or at all, we may be unable to operate or expand our business or to successfully pursue our growth strategy, and our results of operations may suffer. Pursuant to the New York Stock Exchange (NYSE) Listed Company Manual, in order to rely on the “controlled company” corporate governance exemptions, the Isely family is, or entities controlled by the Isely family are, required to retain more than 50 % of the total voting power of our shares of common stock for the election of directors. As long as we intend to remain a “controlled company,” these voting requirements will constrain our ability to issue additional shares of our common stock in the future. In May 2016, our Board authorized a two- year share repurchase program pursuant to which the Company may repurchase up to \$ 10. 0 million in shares of our common stock. Our Board subsequently extended the share repurchase program – most recently in May 2022-2024 – and the **current** program will terminate (unless further extended) on May 31, 2024-2026. Potential future share repurchases under the share repurchase program could be funded by operating cash flow, excess cash balances or borrowings under our Credit Facility. The dollar value of the shares of the Company’s common stock that may yet be repurchased under the share repurchase program is \$ 8. 1 million. During fiscal year 2023-2024, we **did not repurchase- repurchase any** 17, 998 shares of common stock **at a cost of \$ 0. 2 million**. Such borrowings will reduce the amount of capital available under our Credit Facility for other purposes, including our working capital needs, capital expenditures and funding the execution of our growth strategy. Repurchases under the share repurchase program may therefore adversely affect our liquidity, which in turn could impact our profitability, financial condition and results of operations. In addition, repurchases under the share repurchase program will reduce the number of shares of our common stock available for purchase and sale in the public market, which could affect the market price of our common stock. Furthermore, the Inflation Reduction Act of 2022, which was signed into law in August 2022, imposes a non- deductible 1 % excise tax on the fair market value of stock repurchases ~~after December 31, 2022~~ that exceed \$ 1. 0 million in a taxable year, which may impact the tax efficiency of our share repurchase program. Our current principal stockholders have significant influence over us, and they could delay, deter or prevent a change of control or other business combination or otherwise cause us to take action with which our stockholders might not agree. Members of the Isely family and certain persons, entities and accounts subject to a stockholders agreement relating to voting and limitations on the sale of shares, own or control approximately ~~59-58~~ % of our common stock. Due to their holdings of common stock, members of the Isely family are able to continue to determine the outcome of virtually all matters submitted to stockholders for approval, including the election of directors, an amendment of our certificate of incorporation (except when a class vote is required by law), any merger or consolidation requiring common stockholder approval, and a sale of all or substantially all of the Company’s assets. Members of the Isely family have the ability to prevent change- in- control transactions as long as they maintain voting control of the Company. In addition, members of the Isely family and trusts controlled by them entered into a stockholders agreement by which they agreed to aggregate their voting power with regard to the election of directors. In addition, because these holders have the ability to elect all of our directors, they are able to control our policies and operations, including the appointment of management, future issuances of our common stock or other securities, the payments of dividends on our common stock and entering into extraordinary transactions, and their interests may not in all cases be aligned with our stockholders’ interests. We may not be able to continue paying dividends on our common stock. We paid a quarterly cash dividend of \$ 0. 10 per share of common stock during each quarter of fiscal years 2024 and 2023 and 2022. ~~On November 16, 2023, our Board approved the payment of~~ a special cash dividend of \$ 1. 00 per share of common stock ~~and in the first quarter of fiscal year 2024. On November 20, 2024, our Board approved the payment of~~ a quarterly cash dividend of \$ 0. ~~10-12~~ per share of common stock to be paid on December ~~13-18, 2023-2024~~ to stockholders of record as of the close of business on ~~November 27~~ **December 2, 2023-2024**. The timing, declaration, amount and payment of any future cash dividends are at the discretion of the Board and will depend on many factors, including our available cash, working capital, financial condition, earnings, results of operations and capital requirements; the covenants in our credit agreement; applicable law; and other business considerations that our Board considers relevant. A reduction in the amount of cash dividends on our common stock, the suspension of those dividends or a failure to meet market expectations regarding our dividends could have a material adverse effect on the market price of our common stock. If we do not pay cash dividends on our common stock in the future, realization of a gain on an investment in our common stock will depend entirely on the appreciation of the price of our common stock, which may not occur. If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our common stock or if our operating results do not meet their expectations, our common stock price could decline. The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us or our business. ~~Two~~ **One** ~~analysts- analyst~~ currently **covers our stock. If the analyst ceases to** cover our ~~stock. If one or more analysts cease to cover our~~ Company or ~~fail fails~~ to publish reports on us regularly, we may lose visibility in the financial markets, which could cause our stock price or trading volume to decline. Moreover, if ~~the one or more analysts- analyst~~ who ~~cover covers~~ our Company ~~downgrade downgrades~~ our common stock, or if our operating results do not meet ~~their its~~ expectations, our common stock price could decline. Anti- takeover provisions in our organizational documents and

Delaware law may discourage or prevent a change in control, even if a sale of the Company could be beneficial to our stockholders, which could cause our stock price to decline and prevent attempts by our stockholders to replace or remove our current management. Several provisions of our certificate of incorporation and amended and restated bylaws could make it difficult for our stockholders to change the composition of our Board, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that our stockholders may consider favorable. These provisions include: ● a staggered, or classified, Board; ● authorizing our Board to issue “ blank check ” preferred stock without stockholder approval; ● prohibiting cumulative voting in the election of directors; ● limiting the persons who may call special meetings of stockholders; ● prohibiting stockholders from acting by written consent after the Isely family ceases to own more than 50 % of the total voting power of our shares; and ● establishing advance notice requirements for nominations for election to our Board or for proposing matters that can be acted on by stockholders at stockholder meetings. These anti- takeover provisions could substantially impede the ability of our common stockholders to benefit from a change in control and, as a result, could materially adversely affect the market price of our common stock and our stockholders’ ability to realize any potential change- in- control premium. **We are a “ controlled company ” within the meaning of the NYSE Listed Company Manual, and, as a result, rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.** The Isely family, or entities controlled by the Isely family, own more than 50 % of the total voting power of our common shares for the election of directors, and therefore, we are considered a “ controlled company ” under the corporate governance standards set forth in the NYSE Listed Company Manual. As a “ controlled company, ” certain exemptions under NYSE standards free us from the obligation to comply with certain corporate governance requirements of the NYSE, including the requirements: ● that a majority of our Board consists of “ independent directors, ” as defined under the rules of the NYSE; ● that our director nominees be selected, or recommended for our Board’ s selection, either: (i) by a majority of independent directors in a vote by independent directors, pursuant to a nominations process adopted by a Board resolution or (ii) by a nominating and governance committee composed solely of independent directors with a written charter addressing the nominations process; and ● that the compensation of our executive officers be determined, or recommended to the Board for determination, by a majority of independent directors in a vote by independent directors, or a compensation committee composed solely of independent directors. Accordingly, for so long as we are a “ controlled company, ” stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.