Risk Factors Comparison 2023-06-21 to 2022-06-29 Form: 10-K

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

We believe that the following risks could have a material adverse impact on our business, reputation, financial results, financial condition and / or the trading price of our common stock. In addition, our business operations could be affected by factors that are not presently known to us or that we currently consider not to be material to our operations, so you should not consider the risks disclosed in this section to necessarily represent a complete statement of all risks and uncertainties. The order in which these factors appear does not necessarily reflect their relative importance or priority. COMPANY RISKS ~~The~~ **Wide- spread public health concerns may adversely affect our animal health and dental businesses, as we experienced, and may continue to experience, with the** COVID- 19 pandemic **. Given our dependence** ~~and measures taken in response thereto had, and may continue to have, adverse effects~~ on **the willingness of dental patients and veterinary customers to seek elective care,** our results of operations and ~~our~~ financial condition **may** ~~, and the full impact of the pandemic will depend on future developments, which are uncertain and cannot~~ be ~~predicted~~ **negatively impacted by the effects of disease outbreaks, epidemics, pandemics, and similar wide- spread public health concerns** . **For example,** ~~Global~~ **global** health concerns relating to the COVID- 19 pandemic ~~have had~~ **adversely impacted** , and may continue to **adversely** ~~have, an unprecedented~~ impact ~~on the macroeconomic environment. Beginning in March 2020~~ , ~~across our markets authorities implemented numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter in place orders, and business shutdowns, and continued to implement such measures as new waves of infection developed. These measures had negative impacts on~~ consumer spending and business spending habits ~~that~~ **, which** adversely impacted **, and may continue to adversely impact,** our financial results and the financial results of our customers, suppliers and business partners. ~~Even after~~ **Despite the World Health Organization declaring an end to** the COVID- 19 pandemic **emergency** ~~has begun to subside~~ , we may again experience ~~material~~ adverse impacts ~~to our business, results of operations and cash flows~~ as a result of ~~, among other~~ -- **the** ~~things, its~~ global economic impact **of the COVID- 19 pandemic or other wide- spread public health concerns** , including any recession that may occur in the future, **any** ~~or a~~ prolonged period of economic slowdown **,** or reluctance of ~~dental patients and veterinary~~ customers to **seek** ~~return for elective~~ care **. These factors may also exacerbate the effects of other risks we face** . Actual and potential impacts on us from the COVID- 19 pandemic include, but are not limited to: • ~~Interruptions~~ **Interrupted** ~~in the~~ operations of industries ~~in which~~ **that use** the products we distribute ~~are used~~ . **Prior** ~~Our fiscal 2021 results were adversely affected by mandated and voluntary~~ restrictions on the operations of dental and veterinary offices ~~across the U. S., Canada~~ and **interruptions** ~~the UK to limit the spread of COVID- 19 beginning~~ in ~~March~~ **meat and swine packing operations adversely impacted our fiscal results in the past and drove the full goodwill impairment of our animal health business in fiscal** 2020 ~~, along with consumers delaying elective visits even when offices were open~~ . **Although** ~~These~~ **these** restrictions **and interruptions** have eased across our markets, ~~but~~ continuing economic uncertainty remains. ~~In addition, the interruptions in meatpacking operations that occurred due to the pandemic factored into the full goodwill impairment of the animal health business in fiscal 2020. We have also been affected by, and may continue to be affected by, disruptions in the swine market.~~ • ~~Limited supply~~ **Inventory write- downs** of ~~the~~ personal protective equipment (PPE) ~~necessary for dental practice and veterinary care of companion animals followed by related inventory write down~~ . **After** ~~Supply chain disruptions for PPE and an increased demand for these products initially resulted in backorders of PPE and a potential scarcity in raw materials to make PPE, causing substantial price increases. We had to prepay suppliers in order to obtain PPE for resale to our customers, and as~~ manufacturing caught up to **the** increased demand for PPE, prices dropped **substantially** , impacting our margins and requiring us to write down certain inventory. • **Reduced** ~~Reduction in peoples' ability and~~ willingness to be in public. **Although** ~~Consumer behavior was materially changed by~~ mandates and recommendations designed to ~~slow and~~ limit the transmission of COVID- 19 ~~(including business closures and restrictions, stay- at- home and similar measures), beginning in March 2020. While such restrictions~~ have ~~largely~~ lifted, consumer behavior remains uncertain and will depend on the actual and potential for additional resurgences of COVID- 19. • Risks of remote **and hybrid** work. **Following an** ~~Most of our corporate employees shifted abruptly~~ -- **abrupt shift** to working remotely ~~under stay-~~ at ~~–~~ **the beginning of the pandemic, we have implemented more flexible working arrangements, including permanent work from** home ~~orders imposed in March 2020~~ , **hybrid and office- based arrangements. We have also taken steps to reduce our physical footprint in** ~~and~~ - **an effort** ~~many of our corporate employees continue~~ to ~~work remotely for at least~~ **improve efficiency and productivity. Implementing these modified business practices could have** a **negative impact on** ~~portion of their work hours. Our utilization of remote work arrangements for corporate employees~~ - **employee** ~~could expose us to~~ **morale, strain our business** ~~continuing~~ **continuity plans, and introduce operational risk (including but not limited to** cybersecurity ~~risk~~ **risks)** ~~. • Refocusing management resources. Mitigating the effects of COVID- 19 has required, and will likely continue to require, the investment of time and resources across our company, and may delay certain strategic and other plans which could materially adversely affect our business. • Reputational risk associated with response to COVID- 19. If we do not respond appropriately to additional resurgences of COVID- 19, or if customers do not perceive our response to be adequate, we could suffer damage to our reputation and our brands, which could materially adversely affect our business~~ . • Interruptions in manufacturing or distribution of products we distribute. Outbreaks **of new COVID- 19 variants** in the communities in which we operate could **adversely** affect our ability to operate our distribution activities, and our suppliers could experience similar manufacturing interruptions. The impact of COVID- 19 may...... results of operations and financial condition. We are dependent on our suppliers and exposed to the risks of their businesses, because we generally do not manufacture the products we sell. We obtain substantially all of the products we distribute from third parties. If a supplier is unable to deliver product in a timely and efficient manner, whether due to financial difficulty, natural disaster, pandemic, the failure to comply with applicable government requirements or other reasons, we could experience lost sales. We have experienced, and may continue to experience, disruptions in the supply chains for third- party manufacturing of certain products we distribute, including delays in obtaining or inability to obtain raw materials, ~~the~~ inflated price of product inputs, disruptions in operations of logistics service providers and ~~the~~ resulting delays in shipments. ~~This may have a material adverse impact on our financial results if our customers~~ **Customers** ~~are~~ **may be** ~~unwilling~~ **unwillingness** to accept such delays. Our cost of goods also may be adversely impacted by unanticipated price increases due to factors such as inflation, including wage inflation, or to supply restrictions beyond our control or the control of our suppliers. If current suppliers fail to supply sufficient goods or materials to us on a timely basis, or at all, we could experience inventory shortages and disruptions in our distribution of products. In addition, there is considerable concentration within our animal health and dental businesses with a few key suppliers. A portion of the products we distribute is sourced, directly or indirectly, from countries outside the U. S. including China. ~~Political~~ **Our ability or the ability of** ~~or~~ **our** ~~financial instability~~ **suppliers to successfully source materials may be adversely affected by changes in U. S. laws** , **including trade tariffs on the importation of certain products from China as a result trade tensions between the U. S. and China. We may experience a disruption in the flow of imported product from China, or an increase in the cost of those goods attributable to** increased tariffs, restrictions on trade **, or other changes in laws and policies governing foreign trade. In addition, political or financial instability** , currency exchange rates, labor unrest, pandemic or other events could slow distribution activities ~~,~~ **and adversely** affect foreign trade beyond our control ~~and adversely affect our results of operations~~ . We generally do not have long- term contracts with our suppliers, so they may be discontinued or changed abruptly. Changes in the structure of purchasing relationships might include changing from a " buy / sell " to an agency relationship (or the reverse), or changing the method in which products are taken to market, including the possibility of **manufacturers** creating or expanding ~~a~~ direct sales ~~force~~ **forces** or otherwise reducing their reliance on third- party distribution channels. **We compete with** ~~Certain~~ **certain** manufacturers **, including some** of **our own suppliers, that sell** ~~the products we distribute also engage in direct~~ **directly** ~~sales~~ to customers **as well as to wholesale distributors and online businesses that compete with price transparency** . An extended interruption in the supply of products would have an adverse effect on our results of operations, and a reduction in our role as a value- added service provider would result in reduced margins on product sales. **.Adverse** ~~Changes~~ **changes** in supplier rebates or other purchasing incentives could negatively affect our business.The terms on which we purchase or sell products from many suppliers **of animal health products** may entitle us to receive a rebate or other purchasing incentive based on the attainment of certain growth goals.Suppliers may reduce or eliminate rebates or incentives offered under their programs,or increase the growth goals or other conditions we must meet to earn rebates or incentives to levels that we cannot achieve.Increased competition either from generic or equivalent branded products could result in **us failing** ~~reduced margins and failure~~ to earn rebates or incentives that are conditioned upon achievement of growth goals ~~.Also,decreases in the market prices of products that we sell could cause customers to demand lower sales prices from us.These price reductions could further reduce our margins and profitability on sales with respect to the lower- priced products~~ .Additionally,factors outside of our control,such as customer preferences,consolidation of suppliers or supply issues,can have a material impact on our ability to achieve the growth goals established by our suppliers,which may reduce the amount of rebates or incentives we receive. **The occurrence of any of these events could have an adverse impact on our results of operations.** Sales of private label products entail additional risks,including the risk that such sales could adversely affect our relationships with suppliers.We ~~distribute~~ **offer** certain private label products that ~~are manufactured by our suppliers and~~ are available exclusively from us. ~~Beyond~~ **The sale of such products subjects us to** the risks **generally encountered by entities** that **source** ~~normally accompany the distribution of products~~ , ~~our sourcing,marketing~~ --- **market** and **sell** ~~selling of~~ private label products ~~subject us to incremental risks~~ ,including but not limited to potential product liability risks,mandatory or voluntary product recalls,potential supply chain and distribution chain disruptions,and potential intellectual property infringement risks **.Any failure to adequately address some or all of these risks could have an adverse effect on our business,results of operations and financial condition** .In addition,an increase in the sales of our private label products may negatively affect our sales of products owned by our suppliers which,consequently,could adversely impact certain of our supplier relationships.Our ability to locate qualified,economically stable suppliers who satisfy our requirements,and to acquire sufficient products in a timely and effective manner,is critical to ensuring,among other things,that customer confidence is not diminished.As a distribution company,any failure to develop sourcing relationships with a broad and deep supplier base could adversely affect our financial performance **and erode customer loyalty** The products we sell are subject to market and technological obsolescence ~~; our software products may contain undetected errors or bugs when released~~ . **The** ~~Some of the~~ products we distribute are subject to technological obsolescence outside of our control **. We depend on suppliers to regularly develop and pour marketing dollars into the launch of new and enhanced products. For example** , ~~since we~~ **during fiscal 2023, one of our primary suppliers of dental equipment did not release any significant product introductions and, as a consequence, customers who may have replaced existing equipment with new equipment, did not** do **so** ~~not manufacture the majority of the products we sell~~ . If our customers discontinue purchasing a given product, we might have to record expense related to the diminution in value of inventories we have in stock, and depending on the magnitude, that expense could adversely impact our operating results. Our **failure to successfully innovate and develop new and enhanced** software and ~~applicable~~ e- services products ~~, like~~ **could negatively affect our business. Our growth depends on our investment in the development of** software **and e- services products and the market traction achieved by such offerings. If we fail to accurately predict future customer needs and preferences or fail to produce viable software and e- services products, we may invest heavily in** ~~products~~ - **product** ~~generally~~ **commercialization that does not lead to significant sales** , **which would adversely affect our profitability. Even if we successfully innovate and develop new and enhanced software and e- services products, we may incur substantial costs in doing so, and our profitability may suffer.**

Furthermore, our software and e- services products also may contain undetected errors or bugs when introduced, or as new versions are released. Any such ~~defective~~ **defects** ~~software~~ may result in increased expenses ~~related to the software~~ and could adversely affect our **reputation and our** relationships with the customers using such **products** ~~software, as well as our reputation~~ . We do not have any patents on our software or e- services **products** , and rely upon copyright, trademark and trade secret laws, as well as contractual and common- law protections. We cannot provide assurance that such legal protections will be available, adequate or enforceable in a timely manner to protect our software or e- services products. **Our** ~~The failure of our~~ software and ~~applicable~~ e- services products **may fail** to remain competitive ~~could materially adversely affect our business, results of operations~~ and ~~financial condition~~ **may fail to anticipate market demands for functionality** . In addition, the cost to replace ~~any such~~ defective products may not generate ~~a~~ commensurate benefit . Adverse changes in supplier rebates or...... our financial performance and erode customer loyalty . Patterson' s continued success ~~is substantially dependent~~ **depends** on positive perceptions of Patterson' s reputation. ~~One of the reasons why customers~~ **Customers** ~~choose to~~ do business with Patterson and ~~why~~ employees choose Patterson as a place of employment ~~is~~ **due to** the reputation that Patterson has built over many years. To be successful in the future, Patterson must continue to preserve, grow and leverage the value of Patterson' s brand. Reputational value is based in large part on perceptions of subjective qualities. Even an isolated incident, or the aggregate effect of individually insignificant incidents, can erode trust and confidence, particularly if they result in adverse publicity, governmental investigations or litigation, and as a result, could tarnish Patterson' s brand ~~and lead to adverse effects on our business, results of operations and financial condition~~ . **In addition,** ~~Maintaining~~ **maintaining** consistent product quality, competitive pricing, and availability of our private label products is essential to developing and maintaining customer loyalty and brand awareness. These products often have higher margins than national brand products. If one or more of these brands experience a loss of consumer acceptance or confidence, our sales and gross margin could be adversely affected. **Illicit human use of pharmaceutical products we distribute could adversely affect human health and safety, our reputation and our business. The pharmaceutical products our animal health business sells are approved for use under specific circumstances in specific species. Such products could, if misused or abused by humans, adversely affect human health and safety, our reputation and our business. For instance, xylazine, which is an FDA- approved prescription veterinary tranquilizer found in certain analgesic products we distribute, has been found to be increasingly and illicitly used, knowingly or unknowingly, by humans – frequently in combination with other drugs. As a result, xylazine has become the subject of regulatory, public health, legal and political focus. Law enforcement agencies are pressing for xylazine to be listed as a federal controlled substance and several states, including Ohio, Pennsylvania, West Virginia and Florida, have already done so, which measures are likely to increase the cost of distribution of such products. Illicit use of such products may increase the risk of regulatory enforcement and civil litigation.** Risks inherent in ~~asset or business~~ acquisitions and dispositions could offset the anticipated benefits ~~of such transactions~~ , and we may face difficulty in efficiently and effectively integrating acquired businesses. As a part of our business strategy, we acquire and dispose of assets and businesses in the ordinary course **. Maintaining or improving our price- to- earnings ratio, of which the market price of our common stock is commonly thought to be a function, requires effective execution of our growth strategy, including achieving inorganic earnings per share growth. Acquisitions** and ~~may continue acquiring and disposing~~ **dispositions** ~~of assets and businesses in the future. These transactions~~ can involve a number of risks and challenges, any of which could cause significant operating inefficiencies and adversely affect our growth and profitability, and may not result in the **expected** benefits ~~and revenue growth we expect~~ . Acquisition risks and challenges include underperformance relative to our expectations and the price paid for the acquisition; unanticipated demands on our management and operational resources; difficulty in integrating personnel, operations and systems; retention of customers of the combined businesses; assumption of contingent liabilities; acquisition- related earnings charges; and acquisition- related cybersecurity risks **. Our ability to continue to make acquisitions will depend upon our success in identifying suitable targets, which requires substantial judgment in assessing their values, strengths, weaknesses, liabilities and potential profitability, as well as the availability of suitable candidates at acceptable prices, whether restrictions are imposed by anti- trust or other regulations, and compliance with the terms and conditions of our credit agreement** . Additionally, when we decide to sell assets or a business, we may encounter difficulty in finding buyers or executing alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of our strategic objectives. Alternatively, we may dispose of assets or a business at a price or on terms that are less than we had anticipated. Dispositions may also involve continued financial involvement in a divested business, such as through continuing equity ownership, transition service agreements, guarantees, indemnities or other current or contingent financial obligations. Under these arrangements, performance by the acquired or divested business, or other conditions outside our control, could affect our future financial results. As we operate through two strategic business units, we consolidate the distribution, information technology, human resources, financial and other administrative functions of those business units jointly to meet their needs while addressing distinctions in the individual markets of those segments. We may not be able to do so effectively and efficiently. ~~Our ability to continue to make acquisitions will depend upon our success in identifying suitable targets, which requires substantial judgment in assessing their values, strengths, weaknesses, liabilities and potential profitability, as well as the availability of suitable candidates at acceptable prices, whether restrictions are imposed by anti- trust or other regulations, and compliance with the terms and conditions of our credit agreement.~~ In addition, **if** ~~to the extent~~ we acquire technology, manufacturing or other businesses ancillary to our core distribution operations, any such newly acquired business may require the investment of additional capital and significant involvement of our senior management to integrate such business with our operations, which could place a strain on our management, other personnel, resources and systems. Our credit agreements contain restrictive covenants and...... our indebtedness, will correspondingly decrease. Turnover or loss of key personnel or highly skilled employees, including executive officers, could disrupt our operations and any inability to attract and retain ~~qualified~~ personnel could harm our business. Our future success depends partly on the continued service of our highly qualified and well- trained key personnel, including executive officers. Any unplanned turnover or our failure to develop an adequate succession plan for key positions could reduce our institutional knowledge base and erode our competitive advantage. While our Board of Directors and management actively monitor our succession plans and processes for our executive leadership team, our business could be adversely impacted if we lose key personnel unexpectedly. Competition for senior management is intense and we may not be successful in attracting and retaining key personnel. In addition, ~~factors including~~ reduced employment pools have contributed to increased labor shortages and employee turnover within our organization. These trends have led to, and could in the future lead to, increased costs, such as **labor inflation, which we are currently experiencing, and** increased overtime to meet demand ~~and increased wage rates to attract and retain employees~~ . **Risks generally associated with** ~~A prolonged labor shortage, lack of skilled labor, increased turnover or labor inflation~~ **information systems** ~~could materially adversely affect our business~~ , **software products** ~~results of operations~~ and **cybersecurity attacks** financial condition. Our governing documents,...... of such class or series, which could adversely affect ~~the voting~~ **our results of operations. We rely on information systems (" IS ") in our business to obtain, rapidly process, analyze and store customer, product, supplier, and employee data to conduct our business. Our IS are vulnerable to natural disasters,** power **losses, computer viruses, telecommunication failures, cybersecurity threats, and other problems. We increasingly rely upon server- and Internet-based technologies to run our business and to store our data and our customers' data, which depend on continuous Internet access and may carry additional cybersecurity risks relative to those posed by legacy technologies. From time to time, we have had to address non- material security incidents and we expect to experience security incidents in the future. Despite our efforts to ensure the integrity** of **our systems, as cyber threats evolve and become more difficult to detect and successfully defend against, one** ~~our~~ - **or** ~~common stock~~ **more cyber threats might defeat the measures that we or our vendors take to anticipate, detect, avoid or mitigate such threats. Data breaches and any unauthorized access or disclosure of our information could compromise our intellectual property and expose sensitive business information. Cyber- attacks could also cause us to incur significant remediation costs, disrupt key business operations, and divert attention of management** . Further, ~~as~~ **our suppliers, our customers, including purchasers of our software products, and other market participants are similarly subject to information system and cybersecurity risk, and** a **material disruption in** ~~Minnesota corporation, we are subject to provisions of the~~ **their** ~~Minnesota Business Corporation Act regarding " control share acquisitions " and "~~ business **could result** ~~combinations. " We may also,~~ in ~~the future~~ **reduced revenue for us. For example** , ~~consider adopting additional anti~~ **in June 2021 a ransomware attack on Brazil** - ~~takeover measures~~ **based JBS SA, the world' s largest meat company by sales, took a significant portion of U. S. beef and pork processing offline, disrupting markets** . In addition, **compliance with evolving privacy and information security laws and standards may result in significant additional expense due to increased investment in technology and the development of new operational processes. We could be subject to liability if we fail to comply with these laws and standards, fail to protect information, or fail to respond appropriately to an incident or misuse of information, including use of information for unauthorized marketing purposes. Cybersecurity attacks in particular are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, disruption of our customers' operations, loss or damage to our data delivery systems, corruption of data, and increased costs to prevent, respond to or mitigate cybersecurity events. Cybersecurity attacks against our IT systems or third- party providers' IT systems, such as cloud- based systems, could result in exposure of confidential information, the modification of critical data, and / or the failure of critical operations. Furthermore, due to geopolitical tensions and remote and hybrid working conditions, the risk of cyber- attacks may be elevated. In addition,** certain ~~equity plans predating our 2015 Omnibus Incentive Plan provide~~ **cyber incidents, such as advanced persistent threats, may remain undetected** for ~~acceleration~~ **an extended period. Our technologies, systems and networks, and those** of ~~awards thereunder upon a change in control or~~ **our vendors, suppliers and** other **business partners, may become the target of cyberattacks or information security breaches. Our IS or the software products we sell may fail for extended period of time. Despite any precautions we take, damage from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break- ins and similar** events ~~of acceleration, as defined~~ **at our various computer facilities could result** in **interruptions in** ~~those~~ -- **the** ~~plans~~ **flow of data to our servers** . ~~The foregoing~~ **We may need to expend additional resources in the future to continue to protect against** , ~~and~~ **or to address problems caused by,** any **business interruptions** ~~future anti- takeover measures adopted by us, may, in certain circumstances, delay, deter or prevent takeover attempts and other changes in control of our~~ - **or data security breaches** ~~company not approved by our Board of Directors~~ . Our business and operations are subject to risks related to climate change. The long- term effects of global climate change present both physical risks (such as extreme weather conditions or rising sea levels) and transition risks (such as regulatory or technology changes), which are expected to be widespread and unpredictable. These changes could over time affect, for example, the availability and cost of products, commodities and energy (including utilities), which in turn may impact our ability to procure goods or services required for the operation of our business at the quantities and levels we require. In addition, certain of our operations and facilities are in locations that may be impacted by the physical risks of climate change, and we face the risk of losses incurred as a result of physical damage to distribution or fulfillment centers of our third- party suppliers, loss or spoilage of inventory and business interruption caused by such events. Insurance may not be available or cost effective for the coverage limits needed. **financial condition** ~~increase if interest rates continue to increase~~ .Our governing documents,other documents to which we are a party,and Minnesota law may discourage takeovers and business combinations that our shareholders might ~~prefer~~ **consider to be in their best interests** .Anti- takeover provisions of our articles of incorporation,bylaws,and Minnesota law could diminish the opportunity for shareholders to participate in acquisition proposals at a price above the then- current market price of our common stock.For example,while we have no present plans to issue any preferred stock,our Board of Directors,without further shareholder approval,may issue up to approximately 30 million shares of undesignated preferred stock and fix the powers,preferences,rights and limitations of such class or series,which ~~could~~ INDUSTRY RISKS The dental and animal health supply markets are highly competitive ~~and consolidating~~ , and we may not be able to compete successfully. Our competitors include national, regional and local full- service distributors, mail- order distributors and Internet- based businesses. Some of our competitors have greater resources than we do, or operate through different sales and distribution models that could allow them to compete more successfully. **Our failure to compete effectively and / or pricing pressures resulting from such competition may adversely impact our business, and our expansion into new markets may result in greater- than- expected risks, liabilities and expenses. In addition,** ~~Most~~ **most** of the products we distribute are available from multiple sources, and our customers tend to have relationships with several different distributors who can fulfill their orders. If any of our competitors are more successful with respect to any key competitive factor such as technological advances or low- cost business models with the ability to operate at high gross margins, our sales and profitability could be adversely affected. Increased competition from any supplier of dental or animal health products could adversely impact our financial results. Additional competitive pressure could arise from, among other things, limited demand growth or a significant number of additional competitive products or services being introduced into a particular market, the emergence of new competitors, the unavailability of products, price reductions by competitors **, price transparency (which is further promoted by price aggregators)** , and the ability of competitors to capitalize on their economies of scale. Manufacturers also could increase their efforts to sell directly to end- users and thereby eliminate or reduce the role of distributors. These suppliers could sell their products at lower prices and maintain a higher gross margin on product sales than we can. In addition, our ability to deliver market growth is challenged by an animal health product mix that is weighted toward lower growth, lower margin parts of the value chain. **The dental and animal health supply markets are consolidating, including vertical integration in the production animal market, and we may not be able to compete successfully.** Consolidation has increased among **dental and animal health** manufacturers **and** ~~as well as~~ distributors, which could cause the industry to become more competitive as greater economies of scale are achieved by competitors, or as competitors with lower cost business models are able to offer lower prices but retain high gross margin. In ~~addition, in~~ recent years there has also been a trend towards consolidation in the industries that buy the products and services we distribute, including ~~the consolidation of~~ dental practices ~~into larger clinics and dental service organizations~~ , ~~the consolidation of~~ veterinary practices **and animal** ~~as well as~~ producers, and the formation of group purchasing organizations, provider networks and buying groups designed to leverage volume discounts **. In addition, the vertical integration we have seen and expect to continue within the production animal business limits the number of purchasing decision- makers we can impact, which could also affect our margins** . We also face pricing pressure from branded pharmaceutical manufacturers which could adversely affect our sales and profitability. We may be unable to anticipate and effectively respond to competitive change, and our failure to compete effectively may limit and / or reduce our revenue, profitability and cash flow. Our animal health segment is exposed to the risks of the production animal business, including changes in consumer demand ~~for food animal products~~ , the cyclical livestock market, weather conditions and the availability of natural resources, and other factors outside our control, as well as risks of the companion animal business, including the possibility of disease adversely affecting the pet population. Demand for our production animal health products can be negatively influenced by factors including: weather conditions (including those that may be related to climate change), varying weather patterns and weather- related pressures from pests; changes in consumer preferences away from food animal products, including increased promotions and publicity for food products containing plant- based protein; supply chain disruptions including due to cyberattack, or actions by animal rights activists; and outbreaks of diseases affecting animals, any of which could reduce herd sizes or affect consumer preferences **, and regulations related to food- producing animals** . Reductions in herd size would ultimately decrease the demand for the products we distribute, including micro feed ingredients, animal health products, and dairy sanitation solutions, as well as the development and implementation of systems for feed, health, information and production animal management **. In recent years, outbreaks of various diseases, including African Swine Fever, avian influenza, foot- and- mouth disease, bovine spongiform encephalopathy (otherwise known as BSE or mad cow disease) and porcine epidemic diarrhea virus (otherwise known as PEDv), have impacted the animal health business. The discovery of additional cases of any of these, or new diseases may result in additional restrictions on animal proteins, reduced herd sizes, or reduced demand for animal protein** . In addition, there has been consumer concern and consumer activism with respect to additives (including, without limitation, antibiotics and growth promotants) used in the production of animal products, including growing consumer sentiment for proteins and dairy products produced without the use of antibiotics or other products intended to increase animal production. These concerns have resulted in increased regulation and changing market demand. If there is an increased public perception that consumption of food derived from animals that utilize additives we distribute poses a risk to human health, there may be a further decline in the production of those food products and, in turn, our sales of those products. Furthermore, regulatory restrictions and bans could result in the removal from market of products in these categories, which would adversely affect ~~the~~ **our** sales ~~and could materially affect the results of operations from our animal health segment~~ . Farm animal producers depend on the availability of natural resources, including large supplies of fresh water. Their animals' health and their ability to operate could be adversely affected if they experience a shortage of fresh water due to human population growth or floods, droughts or other weather conditions. In the event of adverse weather conditions or a shortage of fresh water, veterinarians or farm animal producers may purchase less of our products. Further, heat waves may cause stress in animals and lead to increased vulnerability to disease, reduced fertility rates and reduced milk production. Droughts may threaten pasture and feed supplies by reducing the quality and amount of forage available to grazing livestock, while climate change may increase the prevalence of parasites and diseases that affect farm animals. Veterinary hospitals and practitioners depend on visits from the animals under their care. Veterinarians' patient volume and ability to operate could be adversely affected if there is a reduction in the companion animal population, such as due to disease outbreak. **Furthermore, the industry is facing a veterinarian and veterinary technician labor shortage and new regulations permitting non-**

economic and punitive damages for pet owners in case of wrongful death or injury. Our dental segment is exposed to the risks of the health care industry, including changes in demand due to political, economic and regulatory influences, and other factors outside our control. Aspects of the dental market are impacted by price competition that is driven in part by the consolidation of dental practices, innovation and product advancements, and the price sensitivity of customers. Many dental participants are consolidating to create larger and more integrated provider systems with greater market power. We expect additional consolidation in the dental industry in the future. As consolidation accelerates, the economies of scale of our customers may grow. If a customer experiences sizable growth following consolidation, it may determine that it no longer needs to rely on us and may reduce its demand for our products and services. Some of these large and growing customers may choose to contract directly with suppliers for certain supply categories. In addition, as customers consolidate, these providers may try to use their market power to negotiate price reductions for our products and services. Finally, consolidation may also result in the acquisition or future development by our customers of products and services that compete with our products and services. Increased OTC and e- commerce sales of products we sell could adversely affect our business. Dental and companion animal health products are becoming increasingly available to consumers at competitive prices from sources other than traditional health care supply and distribution sources, including human health product pharmacies, Internet pharmacies, big- box retailers and other online e-commerce solutions, and consumers are increasingly seeking such alternative sources of supply. Dental products are readily available from major U. S. online e- commerce retailers and businesses such as Chewy. com and Amazon are licensed or becoming licensed as veterinary mail order pharmacies to offer pharmacy products directly to consumers in all 50 U. S. states. If federal regulations were to permit veterinarian- client- patient relationships to be established virtually, which is a focus of lobbyists that appears to be gaining traction, we may face additional competitive pressure. Even where prescriptions must be written by a veterinarian, companion animal owners may shift to these services for home delivery. In addition, companion animal owners may substitute human health products for animal- health products if they deem human health products to be acceptable, lower- cost alternatives. Furthermore, decreased emphasis on veterinary visits, and increased consumer choice through e- commerce retailers could reduce demand for veterinarian- based services. The continued advancement of online e- commerce by third parties will require us to cost-effectively adapt to changing technologies, to enhance existing services and to differentiate our business (including with additional value- added services) to address changing demands of consumers and our customers on a timely basis. We may be unable to anticipate and effectively respond to shifts in consumer traffic patterns and direct- to- consumer buying trends. The formation or expansion of group purchasing organizations (“ GPOs ”), provider networks and buying groups may place us at a competitive disadvantage. The formation or expansion of GPOs, provider networks and buying groups may shift purchasing decisions to entities or persons with whom we do not have a historical relationship and may threaten our ability to compete effectively, which could in turn negatively impact our financial results. As a full- service distributor with business service capabilities, we cannot guarantee that we will be able to successfully compete with price- oriented distribution models that more readily enable the pricing typically demanded by those with significant purchasing power. ~~Increases~~
LITIGATION AND REGULATORY RISKS We are subject to a variety of litigation and governmental inquiries and investigations. We are subject to a variety of litigation incidental to our business, including product liability claims, intellectual property claims, employment claims, commercial disputes, and other matters arising out of the ordinary course of our business, including securities litigation. From time to time we are named as a defendant in ~~and investigations,and other matters arising out of the ordinary course of our business,including securities litigation.From time to time we are named as a defendant in~~ cases as a result of our distribution of products.Additionally,purchasers of private- label products may seek recourse directly from us,rather than the ultimate product manufacturer,for product- related claims.Another potential risk we face in the distribution of products is liability resulting from counterfeit or tainted products infiltrating the supply chain.In addition,some of the products that we transport and sell are considered hazardous materials.The improper handling of such materials or accidents involving the transportation of such materials could subject us to liability or legal action that could harm our reputation. **From time to time,we also receive and respond to governmental inquiries and investigations,including subpoenas for the production of documents.** Defending against such claims **,and responding to such governmental inquiries and investigations,** may divert our resources and management’ s attention ~~over lengthy periods~~ over **lengthy periods of time, may be expensive, and may require that we pay substantial monetary awards or settlements, pay fines or penalties, or become subject to equitable remedies (including but not limited to the revocation of or non** - **renewal of licenses). We may be subject to claims in excess of available insurance or not covered by insurance or indemnification agreements, or claims that result in significant adverse publicity. Furthermore, the outcome of litigation is inherently uncertain. If we fail to comply with laws and regulations relating to health care fraud or** ~~the~~ **other laws** ~~- counter sales of~~ and ~~e- commerce~~ **regulations, we could suffer penalties or be required to make significant changes to our** ~~options~~ **operations . We are subject to federal and state (and similar foreign) health care fraud and abuse, referral and reimbursement laws and regulations, including those referred to as “ false claims laws ” and “ anti- kickback ” laws. Health care fraud measures may implicate,** for **example** ~~companion animal products~~ , ~~or~~ **our relationships with pharmaceutical manufacturers** ~~sales of companion animal products from non- veterinarian sources~~ , **our pricing and incentive programs for physician and dental practices, and our practice management products that offer billing- related functionality. Failure to comply with fraud and abuse laws and regulations** could ~~adversely affect our business. Companion animal~~ **result in significant civil and criminal penalties and costs, including treble damages and substantial civil penalties under the federal False Claims Act as well as potential loss of licenses and the ability to participate in federal and state** health ~~products are~~ **care programs** ~~becoming increasingly available to consumers at competitive prices from sources other than veterinarians~~ , **criminal penalties** ~~including human health product pharmacies~~ , ~~Internet pharmacies and big- box retailers, and~~

~~consumers are increasingly seeking such alternatives sources of supply for~~ **or** ~~their companion animal health products~~ **imposition of a corporate compliance monitor** . ~~Additionally~~ **Also** , **these measures may** ~~major U. S. online e- commerce retailers such as Amazon and Chewy. com are becoming licensed as veterinary mail order pharmacies to offer pharmacy products directly to consumers in all 50 U. S. states. Even where prescriptions must~~ be ~~written~~ **interpreted or applied** by a ~~veterinarian~~ **prosecutorial** , ~~companion animal owners may shift~~ **regulatory or judicial authority in a manner that could require us** to **make changes in our operations or incur substantial defense and settlement expenses. Even unsuccessful challenges by regulatory authorities or private regulators could result in reputational harm and the incurring of substantial costs. Most states have adopted similar state false claims laws, and** these ~~services for home delivery~~ **state laws have their own penalties which may be in addition to federal False Claims Act penalties, as well as other fraud and abuse laws** . In addition, ~~companion animal owners may~~ **many** ~~substitute human health products~~ **of these laws are vague** ~~for~~ **or indefinite** ~~animal- health products if they deem human health products to be acceptable, lower- cost alternatives. Decreased emphasis on veterinary visits, and increased consumer choice through familiar e- commerce retailers could reduce demand for veterinarian- based services~~ and have **not been interpreted** ~~a material adverse impact on our business. The continued advancement of online commerce~~ by **the courts** ~~third parties will require us to cost- effectively adapt to changing technologies~~ , ~~to enhance existing services~~ and ~~to differentiate our business (including with additional value- added services) to address changing demands of consumers and our customers on a timely basis. The emergence of such competition and our inability to anticipate and effectively respond to shifts in consumer traffic patterns and direct- to- consumer buying trends on a timely basis could~~ have ~~a material adverse effect on our business~~ **been subject to frequent modification and varied interpretation by prosecutorial and regulatory authorities, increasing the risk of noncompliance** . ~~REGULATORY AND LITIGATION RISKS~~ Change and uncertainty in the health care industry could materially adversely affect our business. Laws and regulations affecting the health care industry in the U. S., including the ACA, have changed and may continue to change the landscape in which our industry operates. Foreign government authorities may also adopt reforms of their health systems. We cannot predict what further reform proposals, if any, will be adopted, when they may be adopted, or what impact they may have on us. The Biden Administration has indicated that it will be more aggressive in its pursuing alleged violations of law, and ~~it~~ has revoked certain guidance that would have limited governmental use of informal agency guidance to pursue such violations. In recent years, there has been increasing scrutiny on drug pricing and concurrent efforts to control or reduce drug costs by Congress, the President, and various states, including several bills that have been introduced on a federal level. Such legislation, if enacted, could have the potential to impose additional costs on our business. One provision of the ACA, the Sunshine Act, requires us to collect and report detailed information regarding certain financial relationships we have with covered recipients, including physicians, dentists, teaching hospitals and certain other non- physician practitioners. We may also be required to report under certain state transparency laws that address circumstances not covered by the Sunshine Act, and some of these state laws, as well as the federal law, can be unclear. We are also subject to foreign regulations requiring transparency of certain interactions between suppliers and their customers. Our compliance with these rules imposes additional costs on us. In the U. S., government actions to seek to increase health- related price transparency may also affect our business. Failure to comply with existing and future U. S. and foreign laws and regulatory requirements, including those governing the distribution of pharmaceuticals and controlled substances, could subject us to claims or otherwise harm our business. Our business is subject to requirements under various local, state, federal and international laws and regulations applicable to the sale and distribution of, and third- party payment for, pharmaceuticals and medical devices, and human cells, tissue and cellular and tissue- based products (" HCT / P products ") and animal feed and supplements. Among other things, such laws, and the regulations promulgated thereunder: • regulate the introduction, manufacture, advertising, marketing and promotion, sampling, pricing and reimbursement, labeling, packaging, storage, handling, returning or recalling, reporting, and distribution of, and record keeping for drugs, HCT / P products and medical devices, including requirements with respect to unique medical device identifiers; • subject us to inspection by the ~~U. S. Food and Drug Administration ("~~ FDA ~~")~~ and the ~~U. S. Drug Enforcement Administration (the "~~ DEA ~~")~~ and similar state authorities; • regulate the storage, transportation and disposal of ~~certain~~ products ~~that are~~ considered hazardous materials; • regulate the distribution and storage of pharmaceuticals and controlled substances; • require us to advertise and promote our drugs and devices in accordance with ~~applicable~~ FDA requirements; • require registration with the FDA and the DEA and various state agencies; • require record keeping and documentation of transactions involving drug products; • require us to design and operate a system to identify and report suspicious orders of controlled substances to the DEA; • require us to manage returns of products that have been recalled and subject us to inspection of our recall procedures and activities; • impose on us reporting requirements if a pharmaceutical, HCT / P product or medical device causes serious illness, injury or death; • require manufacturers, wholesalers, repackagers and dispensers of prescription drugs to identify and trace certain prescription drugs as they are distributed; • require the licensing of prescription drug wholesalers and third- party logistics providers; and • mandate compliance with standards for the recordkeeping, storage and handling of prescription drugs, and associated reporting requirements. There also have been increasing efforts by Congress and state and federal agencies, including state boards of pharmacy, departments of health, and the FDA, to regulate the pharmaceutical distribution system. ~~The~~ **Any** failure to comply with any of these laws and regulations, or new interpretations of existing laws and regulations, or the enactment of any new or additional laws and regulations, could materially adversely affect our business **. When we discover situations of non- compliance we seek to remedy them and bring the affected area back into compliance** . If it is determined that we have not complied with these laws, we are potentially subject to penalties including warning letters, substantial civil and criminal fines and penalties, mandatory recall of product, seizure of product and injunction, consent decrees, and suspension or limitation of product sale and distribution ~~, all of which could have a material adverse effect on our business~~ . If we enter into settlement agreements to resolve allegations of non- compliance, we could be required to make settlement payments or be subject to civil and criminal penalties, including fines and the loss of licenses. Non- compliance with government requirements could also adversely affect our ability to participate in federal and state government health care programs, such as Medicare and Medicaid, and damage our reputation. We remain subject to compliance certification obligations through **our reporting for** fiscal 2023 as required by the non- prosecution agreement that was entered into in connection with the investigation of our subsidiary Animal Health International by the U. S. Attorney' s Office for the Western District of Virginia. This investigation resulted in Animal Health International pleading guilty to a strict liability misdemeanor offense in connection with its failure to comply with federal law relating to the sales of prescription animal health products, and a total criminal fine and forfeiture of $ 52. 8 million. In the course of our business, we also may be subject to other fines or penalties, equitable remedies (including but not limited to the suspension, revocation or non- renewal of licenses) and litigation. The occurrence of any of these events may divert management' s attention, cause us to suffer reputational harm and adversely affect our business, financial condition and results of operations. If we fail to comply with **evolving** laws and regulations relating to health care fraud or other laws and...... evolving laws and regulations relating to the confidentiality of sensitive personal information or standards in electronic health records or transmissions, we could be required to make significant **product** changes ~~to our products~~ , or incur substantial ~~fines, penalties or other~~ liabilities. Our practice management products and services include electronic information technology systems that store and process personal health, clinical, financial and other sensitive information of individuals. Both we and our customers are subject to numerous and evolving laws, regulations and industry standards, such as HIPAA and the Payment Card Industry Data Security Standards, which require the protection of the privacy and security of those records. **The legal environment surrounding data privacy is demanding with the frequent imposition of new and changing regulatory requirements.** Furthermore, our products may be used as part of our customers' comprehensive data security programs, including in connection with their efforts to comply with applicable privacy and security laws. We are also subject to non- healthcare- specific requirements of the countries and states in which we operate which govern the handling, storage, use and protection of personal information, such as the California Consumer Privacy Act, or CCPA, which is a state statute intended to enhance privacy rights and consumer protection for residents of California, the California Privacy Rights Act, or CPRA, that ~~will become~~ **became** effective on January 1, 2023, and the pan- European General Data Protection Regulation, or GDPR **. Additionally, Virginia, Colorado, Connecticut and Utah recently passed comprehensive privacy legislation, and several privacy bills have been proposed both at the federal and state level that may result in additional legal requirements that impact our business** . In addition, the FDA has become increasingly active in addressing the regulation of computer software intended for use in health care settings, and has developed and continues to develop policies on regulating clinical decision support tools and other types of software as medical devices. Certain of our software and related products support practice management, and it is possible that the FDA or foreign government authorities could determine that one or more of our products is a medical device, which could subject us or one or more of our businesses to substantial additional requirements, costs and potential enforcement actions or liabilities for noncompliance with respect to these products. Both in the U. S. and abroad, these laws and regulations continue to evolve and remain subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain. If we fail to comply with such laws and regulations, we could be required to make significant changes to our products or services, or incur substantial fines, penalties, or other liabilities. The costs of compliance with, and the other burdens imposed by, new or existing laws or regulatory actions may prevent us from selling the products or services we distribute, or increase the costs of doing so, and may affect our decision to distribute such products or services. Also, evolving laws and regulations in this area could restrict the ability of our customers to obtain ~~,~~ **or** use ~~or disseminate~~ patient information, or could require us to incur significant additional costs to conform to these legal requirements ~~, either of which could have a material adverse effect on our operations~~ . In addition, the products and services we distribute may be vulnerable to breakdown, wrongful intrusions, data breaches and malicious attack. Perceived or actual security vulnerabilities in these products or services, or the perceived or actual failure by us or our customers who use these products or services to comply with applicable legal or contractual data privacy or security requirements, may not only cause reputational harm and loss of business, but may also lead to claims against us by our customers and / or governmental agencies and involve substantial damages, fines, penalties and other liabilities and expenses and costs for remediation. Tax legislation could materially adversely affect our financial results and tax liabilities. We are subject to the tax laws and regulations of the United States federal, state and local governments, as well as foreign jurisdictions which are extremely complex and subject to varying interpretations. From time to time, various legislative initiatives may be proposed that could materially adversely affect our tax positions. **In August 2022, the Inflation Reduction Act of 2022 was passed by the U. S. Congress and signed into law by President Biden. The Inflation Reduction Act of 2022 established a new 15 % corporate alternative minimum tax for corporations whose average adjusted net income for any consecutive three- year period beginning after December 31, 2022, exceeds $ 1. 0 billion and a new a 1 % excise tax on " net repurchases " of corporate stock. This provision is effective for tax years beginning after December 31, 2022. We are currently evaluating the impact of this new legislation and** ~~There~~ **there** can be no assurance that our effective tax rate will not be ~~materially~~ adversely affected by **this** legislation ~~resulting from these~~ **or any other legislative** initiatives. In addition, although we believe that our historical tax positions are sound and consistent with applicable laws, regulations and existing precedent, there can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge. Our international operations are subject to inherent risks that could adversely affect our **business** ~~operating results~~ . There are a number of risks inherent in foreign operations, including the U. S. Foreign Corrupt Practices Act and the U. K. Bribery Act, complex regulatory requirements, staffing and management complexities, import and export costs, other economic factors and political considerations, all of which are subject to unanticipated changes. Our foreign operations also expose us to foreign currency fluctuations. Because our financial statements are denominated in U. S. dollars, changes in currency exchange rates between the U. S. dollar and other currencies will have an impact on our income. Currency exchange rate fluctuations may adversely affect our results of operations and financial condition. Furthermore, we generally do not hedge translation exposure with respect to foreign operations. GENERAL RISKS **Uncertain macro- economic conditions**

~~Risks generally associated with information systems~~ , ~~software products~~ **including inflationary pressure, could materially adversely affect demand for dental** and ~~cybersecurity attacks risks discussed below,any of which could have a material adverse impact on us.Uncertain macro- economic conditions,including inflationary pressure,could materially adversely affect demand for dental and~~ animal health products and services ~~,thereby materially adversely affecting our results of operations~~ . **We are subject to** ~~Uncertain~~ **uncertain** macro- economic conditions that affect the economy and the economic outlook of the United States and other parts of the world in which we operate ~~could materially adversely affect our business,results of operations and financial condition~~ .In particular,recessionary or inflationary conditions and depressed levels of consumer and commercial spending may ~~also~~ cause dental and animal health customers to reduce,modify,delay or cancel plans to purchase the products **we distribute** and services we ~~distribute~~ **provide,may cause dental and animal health professionals to decrease or stop investing in their practices,** and may cause suppliers to reduce their output or change their terms of sale.Increased fuel and energy costs (for example,the price of gasoline) **and recent and prospective banking failures** may adversely affect consumer confidence and,thereby,reduce dental **and veterinary** office visits.In addition,the average interest rate in our contract portfolio may not increase at the same rate as interest rate markets,resulting in a reduction of gain on ~~the~~ contract sales as compared to the gain that would be realized if the average interest rate in our portfolio were to increase at a **rate** more similar ~~rate~~ to the interest rate markets. ~~Customer retention~~ **Tension between the U.S.** and **China,as well as the conflict between Russia and Ukraine,also are creating increased global and economic uncertainty,which** could adversely affect **spending on the dental and animal health products and services we distribute. Global political issues also could adversely impact the ability of U. S. producers to export finished protein products to other countries in the world. Furthermore, although inflation did not materially impact** our results of operations **in fiscal 2023, cost inflation during fiscal 2023, including wage inflation, generally increased our operating costs, including our cost of goods, transportation costs, labor costs and other administrative costs** . We ~~rely on~~ **may face significantly higher and sustained rates of** ~~information~~ **inflation** ~~systems (" IS ") in our business to obtain~~ , **with subsequent increases in operational costs that we may be** ~~rapidly process, analyze and store customer, product, supplier, and employee data to conduct our business. We also work to update our IS, such as our enterprise resource planning software. However, our IS are vulnerable~~ ---- **unable** to **pass through** ~~natural disasters, power losses, computer viruses, telecommunication failures, cybersecurity threats, and other problems. We increasingly rely upon server- and Internet- based technologies~~ to ~~run~~ our ~~business~~ **dental** and **animal health** ~~to store our data and our~~ customers ~~' data, which depend on continuous Internet access and may carry additional cybersecurity risks relative to those posed by legacy technologies~~ . ~~From time to time, we have had to address non- material security incidents. There can be no assurance that we will not experience security incidents in the future. Despite our efforts to ensure the integrity of our systems, as cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the measures that we or our vendors take to anticipate, detect, avoid or mitigate such threats. Data breaches and any unauthorized access or disclosure of our information could compromise our intellectual property and expose sensitive business information. Cyber- attacks could also cause us to incur significant remediation costs, disrupt key business operations, and divert attention of management. Further, our suppliers, our customers, including purchasers of our software products, and other market participants are similarly subject to information system and cybersecurity risk, and a material disruption in their business could result in reduced revenue for us. For example, in June 2021 a ransomware attack on Brazil- based JBS SA, the world' s largest meat company by sales, took a significant portion of U. S. beef and pork processing offline, disrupting markets. In addition, compliance with evolving privacy and information security laws and standards may result in significant additional expense due to increased investment in technology and the development of new operational processes. We could be subject to liability if we fail to comply with these laws and standards, fail to protect information, or fail to respond appropriately to an incident or misuse of information, including use of information for unauthorized marketing purposes. Our business, results of operations and cash flows could be adversely affected if our IS or the software products we sell are interrupted, damaged by an unforeseen event, experience cybersecurity attack, or fail for any extended period of time. Disaster recovery plans, where in place, might not adequately protect us in the event of an IS failure. Despite any precautions we take, damage from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break- ins and similar events at our various computer facilities could result in interruptions in the flow of data to our servers. We may need to expend additional resources in the future to continue to protect against, or to address problems caused by, any business interruptions or data security breaches.~~