Risk Factors Comparison 2023-08-16 to 2022-08-19 Form: 10-K

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Risks Relating to Our Business and Industry Periods of difficult economic conditions, a public health crisis ~~, such as the ongoing global COVID- 19 pandemic~~ , other macroeconomic events and heightened uncertainty in the financial markets affect consumer spending and confidence, which can adversely affect our business. The foodservice industry is sensitive to national and regional economic conditions. Our business could be negatively impacted by reduced demand for our products related to unfavorable macroeconomic conditions triggered by developments beyond our control, including geopolitical events, health crises such as the COVID- 19 pandemic, and other events that trigger economic volatility on a national or regional basis. In particular, deteriorating economic conditions and heightened uncertainty in the financial markets, inflationary pressure, **an uncertain political environment,** and supply chain disruptions, such as those the global economy is currently facing, negatively affect consumer confidence and discretionary spending. In fiscal ~~2022~~ **2023** , product cost inflation contributed to an increase in selling price per case and an increase in net sales. However, sustained inflationary pressure and macroeconomic challenges could negatively affect consumer discretionary spending decisions within our customers' establishments, which could negatively impact our sales **.** The extent of any such effects on consumer spending depends in part on the magnitude and duration of such conditions, which cannot be predicted at this time ~~. Additionally, the COVID- 19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. The ongoing COVID- 19 pandemic has had, and may continue to have, an adverse effect on our business, financial condition, and results of operations. The continuing impact of the COVID- 19 pandemic, including the extent of its effect on our business, operations and financial performance will depend on future developments that remain uncertain and cannot be predicted, including the duration of the outbreak, the emergence and spread of variants, the effectiveness and outreach of vaccines, infection rates in areas where we operate, travel restrictions and social distancing in the United States, changes to the regulatory regimes under which we operate, the extent and effectiveness of actions taken in United States to contain and treat the disease and whether the United States is required to move to complete lock- down status, and the impact on economic activity including the possibility of recession or financial market instability. To the extent the ongoing COVID- 19 pandemic continues to adversely affect our business and financial results, it may also have the effect of heightening many other risks described in this section, any of which could materially and adversely affect our business, results of operations, and financial condition~~ . We rely on third- party suppliers, and our business may be affected by interruption of supplies or increases in product costs. We obtain substantially all of our foodservice and related products from third- party suppliers. We typically do not have long- term contracts with our suppliers. Although our purchasing volume can sometimes provide an advantage when dealing with suppliers, suppliers may not provide the foodservice products and supplies needed by us in the quantities and at the prices requested. Our suppliers may also be affected by higher costs to source or produce and transport food products, as well as by other related expenses that they pass through to their customers, which could result in higher costs for the products they supply to us. Because we do not control the actual production of most of the products we sell, we are also subject to material supply chain interruptions, delays caused by interruption in production, and increases in product costs, including those resulting from product recalls or a need to find alternate materials or suppliers, based on conditions outside our control. These conditions include labor shortages, work slowdowns, work interruptions, strikes or other job actions by employees of suppliers, **government shutdowns,** weather conditions or more prolonged climate change, crop conditions, **product or raw material scarcity,** water shortages, transportation interruptions, unavailability of fuel or increases in fuel costs, competitive demands, contamination with mold, bacteria or other contaminants, ~~and~~ **pandemics (such as the COVID- 19 pandemic),** natural disasters or other catastrophic events, including ~~,~~ the outbreak of e. coli or similar food borne illnesses or bioterrorism in the United States ~~. Additionally~~ , ~~our suppliers could~~ **international hostilities, civil insurrection, and social unrest. Moreover, commodity prices continue to** be **volatile and have generally increased due** ~~adversely impacted by the ongoing COVID- 19 pandemic. If our suppliers' employees are unable~~ to **supply chain disruptions and** ~~work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with the COVID- 19 pandemic, or if or suppliers experience~~ labor **and transportation** shortages ~~, we could face shortages in the products we sell and our operations and sales could be adversely impacted by such future supply interruptions~~ . Our inability to obtain adequate supplies of foodservice and related products as a result of any of the foregoing factors or otherwise could mean that we ~~could~~ **may** not **be able to** fulfill our obligations to our customers and, as a result, our customers may turn to other distributors. Our inability to anticipate and react to changing food costs through our sourcing and purchasing practices in the future could also have a material adverse effect on our business, financial condition, or results of operations. We face risks relating to labor relations, labor costs, and the availability of qualified labor. As of July ~~2~~ **1** , ~~2022~~ **2023** , we had more than 35, 000 employees of whom approximately 1, 600 were members of local unions associated with the International Brotherhood of Teamsters or other unions. Although our labor contract negotiations have in the past generally taken place with the local union representatives, we may be subject to increased efforts to engage us in multi- unit bargaining that could subject us to the risk of multi- location labor disputes or work stoppages that would place us at greater risk of being materially adversely affected by labor disputes. In addition, labor organizing activities could result in additional employees becoming unionized, which could result in higher labor costs. Although we have not experienced any significant labor disputes or work stoppages in recent history, and we believe we have satisfactory relationships with our employees, including those who are union members, increased unionization or a work stoppage because of our ~~failure~~ **inability** to renegotiate union contracts could have a material adverse effect on us **. Further, potential changes in labor legislation and**

case law could result in current non- union portions of our workforce, including warehouse and delivery personnel, being subjected to greater organized labor influence. If additional portions of our workforce became subject to collective bargaining agreements, this could result in increased costs of doing business as we would become subject to mandatory, binding arbitration or labor scheduling, labor costs, and standards, which could reduce our operating flexibility . We are subject to a wide range of labor costs. Because our labor costs are, as a percentage of net sales, higher than in many other industries, we may be significantly harmed by labor cost increases. In addition, labor is a significant cost for many of our customers in the U. S. food- away- from- home industry. Any increase in their labor costs, including any increases in costs as a result of increases in minimum wage requirements, **wage inflation and / or increased overtime payments as a result of labor shortages, work slowdowns, work interruptions, strikes, or other job actions by employees of customers** could reduce the profitability of our customers and reduce demand for our products. We rely heavily on our employees, particularly warehouse workers and drivers, and any significant shortage of qualified labor could significantly affect our business. Our recruiting and retention efforts and efforts to increase productivity may not be successful **,** and we could encounter a shortage of qualified labor in future periods. Any such shortage would decrease our ability to serve our customers effectively. Such a shortage would also likely lead to higher wages for employees and a corresponding reduction in our profitability. The current competitive labor market has impacted the Company' s ability to hire and retain qualified labor, particularly warehouse workers and drivers, in certain geographies ~~, resulting~~ **. See the discussion under " Human Capital Resources "** in **Item 1, " Business " for additional information regarding our talent acquisition** ~~an~~ **and talent management efforts** ~~$ 81. 2 million increase~~ in ~~temporary contract~~ **the context of these** labor ~~costs and associated travel expenses for fiscal 2022. Additionally, if our employees are unable to work, whether because of illness, quarantine, limitations on travel or other government restrictions in connection with the COVID- 19 pandemic, we could face additional~~ shortages ~~of qualified labor and higher labor costs~~ . Further, we continue to assess our healthcare benefit costs. Despite our efforts to control costs while still providing competitive healthcare benefits to our associates, significant increases in healthcare costs continue to occur, and we can provide no assurance that our cost containment efforts in this area will be effective. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards, **wage inflation and / or increased overtime payments as a result of labor shortages, work slowdowns, work interruptions, strikes, or other actions by their employees,** which could result in higher costs for goods and services supplied to us. If we are unable to raise our prices or cut other costs to cover this expense, such increases in expenses could materially reduce our operating profit **to suffer.In addition,our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control,including fire,natural disasters,power outages,systems failures,security breaches,cyber- attacks,and viruses.While we have invested and continue to invest in technology security initiatives and disaster recovery plans,these measures cannot fully insulate us from technology disruption that could result in adverse effects on our operations and profits.Information technology systems evolve rapidly and in order to compete effectively we are required to integrate new technologies in a timely and cost- effective manner.If competitors implement new technologies before we do,allowing such competitors to provide lower priced or enhanced services of superior quality compared to those we provide,this could have an adverse effect on our operations and profits** .A cyber security incident or other technology disruptions could negatively affect our business and our relationships with customers.We rely upon information technology networks and systems to process,transmit,and store electronic information,and to manage or support virtually all of our business processes and activities.We also use mobile devices,social networking,and other online activities to connect with our employees,suppliers,business partners,and customers.These uses give rise to cybersecurity risks,including security breach,espionage,system disruption,theft,and inadvertent release of information.Our business involves the storage and transmission of numerous classes of sensitive and / or confidential information and intellectual property,including customers' and suppliers' personal information,private information about employees,and financial and strategic information about us and our business partners.We have implemented measures to prevent security breaches and other cyber incidents ~~.However~~ , ~~we~~ and ~~our third- party providers experience cybersecurity incidents of varying degrees from time- to- time~~ , **to** ~~including ransomware and phishing attacks,as well as distributed denial of service attacks and the theft of data.To~~ date,interruption of our information technology networks and systems ~~and unauthorized access or exfiltration of data~~ have been infrequent and have not had a material impact on our operations.However,because cyber- attacks are increasingly sophisticated and more frequent,our preventative measures and incident response efforts may not be entirely effective.Additionally, **due to the ongoing COVID- 19 pandemic,** a **substantial** portion of our corporate employees **continue to** work remotely using smartphones,tablets,and other wireless devices,which may further heighten these and other operational ~~risks.Further,as we pursue our strategy to grow through acquisitions and to pursue new initiatives that improve our operations and cost structure,we are also expanding and improving our information technologies,resulting in a larger technological presence and corresponding exposure to cybersecurity risk.Failure to adequately assess and identify cybersecurity risks associated with acquisitions and new initiatives would increase our vulnerability to such~~ risks.The theft,destruction,loss,misappropriation,release of sensitive and / or confidential information or intellectual property,or interference with our information technology systems or the technology systems of third parties on which we rely could result in business disruption,negative publicity,brand damage,violation of privacy laws,loss of customers,potential liability, ~~remediation costs,~~ and ~~a~~ competitive disadvantage ~~.We rely heavily on technology in our business and any technology disruption or delay in implementing new technology could adversely affect our business.The foodservice distribution industry is transaction intensive.Our ability to control costs and to maximize~~ . Competition in our industry is intense, and we may not be able to compete successfully. The foodservice distribution industry is highly competitive. Certain of our competitors have greater financial and other resources than we do. Furthermore, there are two larger broadline distributors, Sysco and US Foods, with national footprints. In addition, there are numerous regional, local, and specialty distributors. These smaller distributors often align themselves with other smaller distributors through purchasing cooperatives and marketing groups to enhance their geographic reach, private label offerings, overall purchasing power, cost efficiencies **,** and to assemble delivery networks for national or multi- regional distribution. We often do not have exclusive service agreements with our customers and our customers may switch to other distributors if those distributors can offer lower prices, differentiated products, or customer service that is perceived to be superior. **Such changes may occur particularly during periods of economic uncertainty or significant inflation.** We believe that most purchasing decisions in the foodservice business are based on the quality and price of the product and a distributor' s ability to fill orders completely and accurately and provide timely deliveries. **Our** ~~We cannot assure you that our~~ current or potential, future competitors ~~will not~~ **may be able to** provide products or services that are comparable or superior to those provided by us or adapt more quickly than we do to evolving trends or changing market requirements. Accordingly, we **may not** ~~cannot assure you that we will~~ be able to compete effectively against current and potential, future competitors, and increased competition may result in price reductions, reduced gross margins, and loss of market share, any of which could materially adversely affect our business, financial condition, or results of operations. We operate in a low margin industry, which could increase the volatility of our results of operations. Similar to other resale- based industries, the distribution industry is characterized by relatively low profit margins. These low profit margins tend to increase the volatility of our reported net income since any decline in our net sales or increase in our costs that is small relative to our total net sales or costs may have a ~~large~~ **material** impact on our net income. Volatile food costs may have a direct impact upon our profitability. We make a significant portion of our sales at prices that are based on the cost of products we sell plus a percentage markup. As a result, volatile food costs may have a direct impact upon our profitability. Our profit levels may be negatively affected during periods of product cost deflation, even though our gross profit percentage may remain relatively constant or even increase. Prolonged periods of product cost inflation also may have a negative impact on our profit margins and earnings to the extent such product cost increases are not passed on to customers because of their resistance to higher prices. For example, the impact of current economic conditions has resulted in inflation of ~~11~~ **8** . ~~9~~ **6** % for fiscal ~~2022~~ **2023** , which has **increased** ~~had, and could continue to have, an impact~~ our product costs and **decreased** profit margins. Furthermore, our business model requires us to maintain an inventory of products, and changes in price levels between the time that we acquire inventory from our suppliers and the time we sell the inventory to our customers could lead to unexpected shifts in demand for our products or could require us to sell inventory at lesser profit or a loss. In addition, product cost inflation may negatively affect consumer discretionary spending decisions within our customers' establishments, which could negatively impact our sales. Our inability to quickly respond to inflationary and deflationary cost pressures could have a material adverse impact on our business, financial condition, or results of operations. Many of our customers are not obligated to continue purchasing products from us. Many of our customers buy from us pursuant to individual purchase orders, and we often do not enter into long- term agreements with these customers. Because such customers are not obligated to continue purchasing products from us, ~~we cannot assure you~~ that the volume and / or number of our customers' purchase orders ~~will~~ **may not** remain constant or increase **and** ~~or that~~ we ~~will~~ **may** be ~~able~~ **unable** to maintain our existing customer base. Significant decreases in the volume and / or number of our customers' purchase orders or our inability to retain or grow our current customer base ~~may~~ **could** have a material adverse effect on our business, financial condition, or results of operations. Group purchasing organizations may become more active in our industry and increase their efforts to add our customers as members of these organizations. Some of our customers, particularly our larger customers, purchase their products from us through group purchasing organizations (" GPOs ") in an effort to lower the prices paid by these customers on their foodservice orders, and we have experienced some pricing pressure from these purchasers. These GPOs have also made efforts to include smaller, independent restaurants. If these GPOs are able to add a significant number of our customers as members, we may be forced to lower the prices we charge these customers in order to retain their business, which would negatively affect our business, financial condition, or results of operations. Additionally, if we are unable or unwilling to lower the prices we charge for our products to a level that is satisfactory to the GPOs, we may lose the business of those customers that are members of these organizations, which could have a material adverse ~~impact~~ **effect** on our business, financial condition, or results of operations **.** Changes in consumer eating habits could reduce the demand for our products. Changes in consumer eating habits (such as a decline in consuming food away from home, a decline in portion sizes, or a shift in preferences toward restaurants that are not our customers) could reduce demand for our products, which could adversely affect our business, financial condition, or results of operations. Consumer eating habits ~~could~~ **can** be affected by a number of factors, including changes in attitudes regarding diet and health or new information regarding the health effects of consuming certain foods. There is a growing consumer preference for sustainable, organic **,** and locally grown products, and a shift towards plant- based proteins and / or animal proteins derived from animals that were humanely treated and antibiotic free. If consumer eating habits change significantly, we may be required to modify or discontinue sales of certain items in our product portfolio, and we may experience higher costs associated with the implementation of those changes. Changing consumer eating habits may **also** reduce the frequency with which consumers purchase meals outside of the home. Additionally, changes in consumer eating habits may result in the enactment of laws and regulations that affect the ingredients and nutritional content of our food products, or laws and regulations requiring us to disclose the nutritional content of our food products. Compliance with these laws and regulations, as well as others regarding the ingredients and nutritional content of our food products, may be costly and time- consuming. Our inability to effectively respond to changes in food away from home consumer trends, consumer health perceptions or resulting new laws or regulations **,** or to adapt our menu offerings to trends in eating habits could **have a** ~~materially~~ -- **material** ~~and adversely~~ -- **adverse** ~~affect~~ **effect on** our business, financial condition, or results of operations. Extreme weather conditions and natural disasters may interrupt our business or our customers' businesses. Many of our facilities and our customers' facilities are located in areas that may be subject to extreme and occasionally prolonged weather conditions, including hurricanes, blizzards, earthquakes, and extreme heat or cold. Such extreme weather conditions, whether caused by global climate change or otherwise, ~~may~~ **could** interrupt our operations and reduce the number of consumers who visit our customers' facilities in such areas. Furthermore, such extreme weather conditions may interrupt or impede access to our customers' facilities, all of which could have a material adverse effect on our business, financial condition, or results of operations. Fluctuations in fuel prices and other transportation costs could harm our business. The high cost of fuel can negatively affect consumer confidence and discretionary spending and, as a result, reduce the frequency and amount spent by consumers within our customers' establishments for food away from home. The high price of fuel and other transportation related costs, such as tolls, fuel taxes, and license and registration fees, can also increase the price we pay for products as well as the costs incurred by us to deliver products to our customers. Furthermore, both the price and supply of fuel are unpredictable and fluctuate based on events outside our control, including geopolitical developments **(such as the war in the Ukraine)** , supply and demand for oil and gas, actions by the Organization of Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns, and environmental concerns. These factors, if occurring over an extended period of time, could have a material adverse effect on our sales, margins, operating expenses, or results of operations. For example, in fiscal ~~2022~~ **2023** , the ~~Russian invasion of Ukraine had a significant impact on fuel supply and fuel prices. The~~ United States experienced significant increases in fuel prices and, as a result, the Company' s fuel expense increased $ ~~90~~ **30** . ~~9~~ **8** million in **fiscal 2023 compared to** fiscal 2022 ~~compared to fiscal 2021~~ . From time to time, we may enter into arrangements to manage our exposure to fuel costs. Such arrangements, however, may not be effective and may result in us paying higher than market costs for a portion of our fuel. In addition, while we have been successful in the past in implementing fuel surcharges to offset fuel cost increases, we may not be able to do so in the future. In addition, compliance with current and future environmental laws and regulations relating to carbon emissions and the effects of global warming can be expected to have a significant impact on our transportation costs, which could have a material adverse effect on our business, financial condition, or results of operations. If one or more of our competitors implements a lower cost structure, they may be able to offer lower prices to customers and we may be unable to adjust our cost structure in order to compete profitably. Over the last several decades, the retail food industry has undergone significant change as companies such as **Walmart** ~~Wal- Mart~~ and Costco have developed a lower cost structure to provide their customer base with an everyday low- cost product offering. As a large- scale foodservice distributor, we have similar strategies to remain competitive in the marketplace by reducing our cost structure. However, if one or more of our competitors in the foodservice distribution industry adopted an everyday low- price strategy, we would potentially be pressured to lower prices to our customers and would need to achieve additional cost savings to offset these reductions. We may be unable to change our cost structure and pricing practices rapidly enough to successfully compete in such an environment. If we fail to increase our sales in the highest margin portions of our business, our profitability may suffer. Distribution is a relatively low margin industry. The most profitable customers within the distribution industry are generally independent customers. In addition, our most profitable products are our Performance Brands. We typically provide a higher level of services to our independent customers and are able to earn a higher operating margin on sales to independent customers. Independent customers are also more likely to purchase our Performance Brands. Our ability to continue to penetrate this key customer type is critical to achieving increased operating profits. Changes in the buying practices of independent customers or decreases in our sales to independent customers or a decrease in the sales of our Performance Brands could have a material adverse effect on our business, financial condition, or results of operations. Changes in pricing practices of our suppliers could negatively affect our profitability. Distributors have traditionally generated a significant percentage of their gross margins from promotional allowances paid by their suppliers. Promotional allowances are payments from suppliers based upon the efficiencies that the distributor provides to its suppliers through purchasing scale and through marketing and merchandising expertise. Promotional allowances are a standard practice among suppliers to distributors and represent a significant source of profitability for us and our competitors. Any change in such practices that results in the reduction or elimination of promotional allowances could be disruptive to us and the industry as a whole and could have a material adverse effect on our business, financial condition, or results of operations. Our growth strategy may not achieve the anticipated results. Our future success will depend on our ability to grow our business, including through increasing our independent sales, expanding our Performance Brands, making strategic acquisitions, and achieving improved operating efficiencies as we continue to expand and diversify our customer base. Our growth and innovation strategies require significant commitments of management resources and capital investments and may not grow our net sales at the rate we expect or at all. As a result, we may not be able to recover the costs incurred in developing our new projects and initiatives or to realize their intended or projected benefits, which could have a material adverse effect on our business, financial condition, or results of operation. We may not be able to realize benefits of acquisitions or successfully integrate the businesses we acquire. From time to time, we acquire businesses that are intended to broaden our customer base, and / or increase our capabilities and geographic reach. If we are unable to integrate acquired businesses successfully or to realize anticipated economic, operational, and other benefits and synergies in a timely manner, our profitability could be adversely affected. Integration of an acquired business may be more difficult when we acquire a business in a market in which we have limited expertise or with a company culture different from ours. A significant expansion of our business and operations, in terms of geography or magnitude, could strain our administrative and operational resources. Additionally, we may be unable to retain qualified management and other key personnel employed by acquired companies and may fail to build a network of acquired companies in new markets. We could face significantly greater competition from broadline foodservice distributors in these markets than we face in our existing markets. We ~~also~~ regularly evaluate opportunities to acquire other companies. To the extent our future growth includes acquisitions, we **may not** ~~cannot assure you that we will~~ be able to obtain any necessary financing for such acquisitions, consummate such potential acquisitions effectively, effectively and efficiently integrate any acquired entities, or successfully expand into new markets. Our earnings may be reduced by amortization charges associated with any future acquisitions. After we complete an acquisition, we must amortize any identifiable intangible assets associated with the acquired company over future periods. We also must amortize any identifiable intangible assets that we acquire directly. Our amortization of these amounts reduces our future earnings in the affected periods. Our business is subject to significant governmental regulation, and costs or claims related to these requirements could adversely affect our business. Our operations are subject to regulation by state and local health departments, the USDA, and the FDA, which generally impose standards for product quality and sanitation and are responsible for the administration of bioterrorism legislation affecting the foodservice industry. These government authorities regulate, among other things, the processing, packaging, storage, distribution, advertising, and labeling of our products. The FSMA requires that the FDA impose comprehensive, prevention- based controls across the food supply, further regulates food products imported into the United States, and provides the FDA with mandatory recall authority. Our seafood operations are also specifically regulated by federal and state laws, including those administered by the National Marine Fisheries Service, established for the preservation of certain species of marine life, including fish and shellfish. Our processing and distribution facilities must be registered with the FDA biennially and are subject to periodic government agency inspections. State and / or federal authorities generally inspect our facilities at least annually. The Federal Perishable Agricultural Commodities Act, which specifies standards for the sale, shipment, inspection, and rejection of agricultural products, governs our relationships with our fresh food suppliers with respect to the grading and commercial acceptance of product shipments. We are also subject to regulation by state authorities for the accuracy of our weighing and measuring devices. Additionally, the Surface Transportation Board and the Federal Highway Administration regulate our trucking operations, and interstate motor carrier operations are subject to safety requirements prescribed by the U. S. Department of Transportation and other relevant federal and state agencies. Our suppliers are also subject to similar regulatory requirements and oversight. We have expanded the product lines of our Vistar segment to include hemp- based CBD products authorized under the 2018 Farm Bill. Sales of certain hemp- based CBD products are prohibited in some jurisdictions and the FDA and certain states and local governments may enact regulations that limit the marketing and use of such products. In the event that the FDA or state and local governments impose regulations on CBD products, we do not know what the impact would be on our products, and what costs, requirements, and possible prohibitions may be associated with such regulations. The failure to comply with applicable regulatory requirements could result in, among other things, administrative, civil, or criminal penalties or fines; mandatory or voluntary product recalls; warning or untitled letters; cease and desist orders against operations that are not in compliance; closure of facilities or operations; the loss, revocation, or modification of any existing licenses, permits, registrations, or approvals; or the failure to obtain additional licenses, permits, registrations, or approvals in new jurisdictions where we intend to do business, any of which could have a material adverse effect on our business, financial condition, or results of operations. These laws and regulations may change in the future and we ~~may~~ **could** incur material costs in our efforts to comply with current or future laws and regulations or in any required product recalls. In addition, our operations are subject to various federal, state, and local laws and regulations in many areas of our business, such as, minimum wage, overtime, wage payment, wage and hour and employment discrimination **, harassment** , immigration, human health and safety and relating to the protection of the environment, including those governing the discharge of pollutants into the air, soil, and water; the management and disposal of solid and hazardous materials and wastes; employee exposure to hazards in the workplace; and the investigation and remediation of contamination resulting from releases of petroleum products and other regulated materials. In the course of our operations, we operate, maintain, and fuel fleet vehicles; store fuel in on- site above and underground storage tanks; operate refrigeration systems; and use and dispose of hazardous substances and food wastes. We could incur substantial costs, including fines or penalties and third- party claims for property damage or personal injury, as a result of any violations of environmental or workplace safety laws and regulations or releases of regulated materials into the environment. In addition, we could incur investigation, remediation, or other costs related to environmental conditions at our currently or formerly owned or operated properties. ~~Additionally, concern over climate change, including the impact of global warming, has led to significant U. S. and international legislative and regulatory efforts to limit greenhouse gas emissions. Increased regulation regarding greenhouse gas emissions, especially diesel engine emissions, could impose substantial costs upon us. These costs include an increase in the cost of the fuel and other energy we purchase, and capital costs associated with updating or replacing our vehicles prematurely.~~ Finally, we are subject to legislation, regulation and other matters regarding the marketing, distribution, sale, taxation and use of cigarette, tobacco and alternative nicotine products. For example, various jurisdictions have adopted or are considering legislation and regulations restricting displays and marketing of tobacco and alternative nicotine products, requiring the disclosure of ingredients used in the manufacture of tobacco and alternative nicotine products, and imposing restrictions on public smoking and vaping. In addition, the FDA has been empowered to regulate changes to nicotine yields and the chemicals and flavors used in tobacco and alternative nicotine products (including cigars, pipe and e- cigarette products), require ingredient listings be displayed on tobacco and alternative nicotine products, prohibit the use of certain terms ~~which~~ **that** may attract youth or mislead users as to the risks involved with using tobacco and alternative nicotine products, as well as limit or otherwise impact the marketing of tobacco and alternative nicotine products by requiring additional labels or warnings that must be pre- approved by the FDA. Such legislation and related regulation are likely to continue to adversely impact the market for tobacco and alternative nicotine products and, accordingly, our sales of such products. Likewise, cigarettes and tobacco products are subject to substantial excise taxes. Significant increases in cigarette- related taxes and / or fees have been proposed or enacted and are likely to continue to be proposed or enacted by various taxing jurisdictions within the U. S. These tax increases negatively impact consumption and may cause a shift in sales from premium brands to discount brands, illicit channels, or tobacco alternatives, such as electronic cigarettes, as smokers seek lower priced options. Furthermore, taxing jurisdictions have the ability to change or rescind credit terms currently extended for the remittance of taxes that we collect on their behalf. If these excise taxes are substantially increased, or credit terms are substantially reduced, it could have a ~~negative~~ **material adverse effect on our business, financial condition, and results of operations. Climate change, or the legal, regulatory, or market measures being implemented to address climate change, could have an adverse** impact on our ~~liquidity~~ **business. The effects of climate change may create financial and operational risks to our business, both directly and indirectly. There is an increased focus around the world by regulatory and legislative bodies at all levels towards policies relating to climate change and the impact of global warming, including the**

regulation of greenhouse gas (GHG) emissions, energy usage, and sustainability efforts. Increased compliance costs and expenses due to the impacts of climate change on our business, as well as additional legal or regulatory requirements regarding climate change or designed to reduce or mitigate the effects of carbon dioxide and other GHG emissions on the environment, particularly diesel engine emissions, may cause disruptions in, or an increase in the costs associated with, the running of our business, particularly with regard to our distribution and supply chain operations. These costs include an increase in the cost of the fuel and other energy we purchase, and capital costs associated with updating or replacing our vehicles prematurely. Moreover, compliance with any such legal or regulatory requirements may require that we implement changes to our business operations and strategy, which would require us to devote substantial time and attention to these matters and cause us to incur additional costs. We may not be able to accurately predict, prepare for, and respond to new kinds of technological innovations with respect to electric vehicles and other technologies that minimize emissions. Laws enacted to reduce GHG could also directly or indirectly affect our suppliers, which could adversely affect our business, financial condition, or results of operations. The effects of climate change, and legal or regulatory initiatives to address climate change, could have a long- term adverse effect on our business, financial condition, or results of operations. In addition, from time to time we establish and publicly announce goals and commitments related to corporate social responsibility matters, including those related to reducing our impact on the environment. For example, in 2023, we established goals for the reduction of GHG emissions, which include a target of reducing Scope 1 and 2 GHG emission intensity by 15 % by 2030 from a 2021 base year. Our ability to meet this and other related goals depends in part on significant technological advancements with respect to the development and availability of reliable, affordable, and sustainable alternative solutions, including electric and other alternative fuel vehicles as well as alternative energy sources, which may not be developed or be available to us in the timeframe needed to achieve these goals. In addition, we may determine that it is in our best interests to prioritize other business, social, governance, or sustainable investments over the achievement of our current goals based on economic, regulatory or social factors, business strategy, or other factors. If we do not meet our publicly stated goals, then we may experience a negative reaction from the media, stockholders, activists, and other interested stakeholders, and any perception that we have failed to act responsibly regarding climate change, whether or not valid, could result in adverse publicity or legal challenges and negatively affect our business and reputation. While we remain committed to being responsive to climate change and reducing our carbon footprint, there can be no assurance that our goals and strategic plans to achieve those goals will be successful, that the costs related to climate transition will not be higher than expected, that the necessary technological advancements will occur in the timeframe we expect, or at all, or that proposed regulation or deregulation related to climate change will not have a negative competitive impact, any one of which could have a material adverse effect on our business, financial condition, or results of operations . A significant portion of our sales volume is dependent upon the distribution of cigarettes and other tobacco products, sales of which are generally declining. Following the acquisitions of Eby- Brown Company LLC (" Eby- Brown ") and Core- Mark, a significant portion of our sales volume depends upon the distribution of cigarettes and other tobacco products. Due to increases in the prices of cigarettes, restrictions on cigarette manufacturers' marketing and promotions, increases in cigarette regulation and excise taxes, health concerns, increased pressure from anti- tobacco groups, the rise in popularity of tobacco alternatives, including electronic cigarettes and other alternative nicotine products, and other factors, cigarette consumption in the United States has been declining ~~gradually~~ over the past few decades. In many instances, tobacco alternatives, such as electronic cigarettes, are not subject to federal, state, and local excise taxes like the sale of conventional cigarettes or other tobacco products. We expect consumption trends of legal cigarette products will continue to be negatively impacted by the factors described above. If we are unable to sell other products to make up for these declines in cigarette sales, our ~~operating~~ **business, financial condition, or** results ~~may suffer~~ **of operations could be materially adversely affected** . If the products we distribute are alleged to cause injury or illness or fail to comply with governmental regulations, we may need to recall our products ~~and may experience product liability claims~~ . The products we distribute may be subject to product recalls, including voluntary recalls or withdrawals, if they are alleged to cause injury or illness **(including food- borne illness such as e. coli, bovine spongiform, encephalopathy, hepatitis A, trichinosis, listeria, or salmonella)** or if they are alleged to have been mislabeled, misbranded, or adulterated or to otherwise be in violation of governmental regulations. We may also voluntarily recall or withdraw products that we consider not to meet our quality standards, whether for taste, appearance, or otherwise, in order to protect our brand and reputation. If there is any future product withdrawal that results in substantial and unexpected expenditures, destruction of product inventory, damage to our reputation, ~~and~~ **or** lost sales because of the unavailability of the product for a period of time ~~, our business, financial condition, or results of operations may be materially adversely affected. We also may be subject to product liability claims if the consumption or use of our products is alleged to cause injury or illness. While we carry product liability insurance, our insurance may not be adequate to cover all liabilities we may incur in connection with product liability claims. For example, punitive damages may not be covered by insurance. In addition, we may not be able to continue to maintain our existing insurance, to obtain comparable insurance at a reasonable cost, if at all, or to secure additional coverage, which may result in future product liability claims being uninsured. If there is a product liability judgment against us or a settlement agreement related to a product liability claim~~ , our business, financial condition, or results of operations may be materially adversely affected. We may be subject to or affected by product liability claims relating to products we distribute. We ~~, like any other seller of food,~~ may be exposed to product liability claims in the event that the use of **the** products we sell **is alleged to** ~~causes~~ **cause** injury or illness. While we believe we have sufficient primary and excess umbrella liability insurance with respect to product liability claims we cannot assure you that our limits are sufficient to cover all our liabilities **.** ~~or~~ **For** ~~that~~ **example, punitive damages may not be covered by insurance. In addition,** we ~~will~~ **may not** be able to **continue to maintain our existing insurance or** obtain replacement insurance on comparable terms, and any replacement insurance or our current insurance may not continue to be available at a reasonable cost, or, if available, may not be adequate to cover all of our liabilities. We generally seek contractual indemnification and insurance coverage from parties supplying products to us, but this indemnification or insurance coverage is limited, as a practical matter, to the creditworthiness of the indemnifying party and the insured limits of any insurance provided by suppliers. If we do not have adequate insurance or contractual indemnification available, ~~product~~ **the** liability relating to defective products could adversely affect our ~~profitability. We rely heavily on technology in our~~ business **, financial condition,** ~~and any technology disruption or delay in implementing new technology could adversely affect our~~ **or** business. The foodservice distribution industry is...... and customers, causing our business and results of operations to suffer. In addition, our......, potential liability, and competitive disadvantage . Adverse judgments or settlements resulting from legal proceedings in which we may be involved in the normal course of our business could reduce our profits or limit our ability to operate our business. In the normal course of our business, we are involved in various legal proceedings. The outcome of these proceedings cannot be predicted. If any of these proceedings were to be determined adversely to us or a settlement involving a payment of a material sum of money were to occur, it could materially and adversely affect our profits or ability to operate our business. Additionally, we could become the subject of future claims by third parties, including our employees; suppliers, customers, and other counterparties; our investors; or regulators. Any significant adverse judgments or settlements ~~would~~ **could** reduce our profits and could limit our ability to operate our business. Further, we may incur costs related to claims for which we have appropriate third- party indemnity, but such third parties may fail to fulfill their contractual obligations. Adverse publicity about us, lack of confidence in our products or services, and other risks could negatively affect our reputation and ~~affect~~ our business. Maintaining a good reputation and public confidence in the safety of the products we distribute or services we provide is critical to our business, particularly to selling our Performance Brands products. Anything that damages our reputation, or the public' s confidence in our products, services, facilities, delivery fleet, operations, or employees, whether or not justified, including adverse publicity about the quality, safety, or integrity of our products, could quickly affect our net sales and profits. Reports, whether true or not, of food- borne illnesses or harmful bacteria (such as e. coli, bovine spongiform encephalopathy, hepatitis A, trichinosis, listeria, or salmonella) and injuries caused by food tampering could also severely injure our reputation or negatively affect the public' s confidence in our products. We may need to recall our products if they become adulterated. If patrons of our restaurant customers become ill from food- borne illnesses, our customers could be forced to temporarily close restaurant locations and our sales would be correspondingly decreased. In addition, instances of food- borne illnesses, food tampering, or other health concerns, such as flu epidemics or other pandemics (~~including~~ **such as** COVID- 19), even those unrelated to the use of our products, or public concern regarding the safety of our products, can result in negative publicity about the foodservice distribution industry and cause our sales to decrease dramatically. In addition, a widespread health epidemic (such as COVID- 19) or food- borne illness, whether or not related to the use of our products, as well as terrorist events may cause consumers to avoid public gathering places, like restaurants, or otherwise change their eating behaviors. Health concerns and negative publicity may harm our results of operations and damage the reputation of, or result in a lack of acceptance of, our products or the brands that we carry or the services that we provide. We have experienced losses because of the inability to collect accounts receivable in the past and could experience increases in such losses in the future if our customers are unable to pay their debts to us when due. Certain of our customers have from time to time experienced bankruptcy, insolvency, and / or an inability to pay their debts to us as they come due. If our customers suffer significant financial difficulty, they may be unable to pay their debts to us timely or at all, which could have a material adverse effect on our results of operations. It is possible that customers may contest their contractual obligations to us under bankruptcy laws or otherwise. Significant customer bankruptcies could further adversely affect our net sales and increase our operating expenses by requiring larger provisions for bad debt expense. In addition, even when our contracts with these customers are not contested, if customers are unable to meet their obligations on a timely basis, it could adversely affect our ability to collect receivables. Further, we may have to negotiate significant discounts and / or extended financing terms with these customers in such a situation. If we are unable to collect upon our accounts receivable as they come due in an efficient and timely manner, our business, financial condition, or results of operations may be materially adversely affected. Insurance and claims expenses could significantly reduce our profitability. Our future insurance and claims expenses might exceed historic levels, which could reduce our profitability. We maintain high- deductible insurance programs covering portions of general and vehicle liability and workers' compensation. The amount in excess of the deductibles is insured by third- party insurance carriers, subject to certain limitations and exclusions. We also maintain self- funded group medical insurance. We reserve for anticipated losses and expenses and periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts. Although we believe our aggregate insurance limits should be sufficient to cover reasonably expected claims costs, it is possible that the amount of one or more claims could exceed our aggregate coverage limits. Insurance carriers have raised premiums for many businesses in our industry, including ours, and our insurance and claims expense could continue to increase in the future. Our results of operations and financial condition could be materially and adversely affected if (1) total claims costs significantly exceed our coverage limits, (2) we experience a claim in excess of our coverage limits, (3) our insurance carriers fail to pay on our insurance claims, (4) we experience a claim for which coverage is not provided **,** or (5) a large number of claims may cause our cost under our deductibles to differ from historic averages ~~. Risks Related to the Integration of Core- Mark We may be unable to successfully integrate the businesses and realize the anticipated benefits of the acquisition of Core- Mark. The success of the Core- Mark acquisition will depend, to a large extent, on our ability to successfully combine Core- Mark with our business and realize the anticipated benefits, including synergies, cost savings, innovation and operational efficiencies, from the combination. If we are unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits may not be realized fully, or at all, or may take longer to realize than expected and the value of our common stock may be harmed. The integration of Core- Mark with our existing business is a complex, costly and time- consuming process. We have not previously completed a transaction comparable in size or scope to the Core- Mark acquisition. The~~

~~integration of Core- Mark into our business may result in material challenges, including, without limitation: • the diversion of management' s attention from ongoing business concerns and performance shortfalls as a result of the devotion of management' s attention to the integration of Core- Mark; • managing a larger company; • the possibility of faulty assumptions underlying expectations regarding the integration process; • retaining existing business and operational relationships and attracting new business and operational relationships; • consolidating corporate and administrative infrastructures and eliminating duplicative operations; • coordinating geographically separate organizations; • unanticipated issues in integrating information technology, communications and other systems; • unanticipated changes in federal or state laws or regulations; and • unforeseen expenses or delays associated with the integration of Core- Mark. Many of these factors will be outside of our control and any one of them could result in delays, increased costs, decreases in the amount of expected revenues and diversion of management' s time and energy, which could materially affect our financial position, results of operations and cash flows. We expect to incur substantial expenses related to the integration of Core- Mark. We expect to incur substantial expenses in connection with the integration of Core- Mark' s business. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including purchasing, accounting and finance, sales, payroll, pricing, revenue management, marketing and benefits. In addition, our and Core- Mark' s businesses will continue to maintain a presence in Richmond, Virginia and Westlake, Texas, respectively. The substantial majority of these costs will be facilities and systems consolidation costs. We may incur additional costs to maintain employee morale and to attract, motivate or retain management personnel and other key employees. We will also incur costs related to formulating integration plans for the combined business, and the execution of these plans may lead to additional unanticipated costs. These incremental merger- related costs may exceed the savings the Company expects to achieve from the elimination of duplicative costs and the realization of other efficiencies related to the integration of the businesses, particularly in the near term and in the event there are material unanticipated costs. Our future results may be adversely impacted if we do not effectively manage our expanded operations. Following the completion of the acquisition of Core- Mark, the size of our business is significantly larger than it was prior to the acquisition. Our ability to successfully manage this expanded business will depend, in part, upon management' s ability to design and implement strategic initiatives that address not only the integration of two independent stand- alone companies, but also the increased scale and scope of the combined business with its associated increased costs and complexity. There can be no assurances that we will be successful or that we will realize the expected operating efficiencies, cost savings and other benefits currently anticipated from the acquisition of Core- Mark~~ . Risks Relating to Our Indebtedness Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or in our industry, expose us to interest rate risk to the extent of our variable rate debt, and prevent us from meeting our obligations under our indebtedness. As of July ~~2~~ **1** , ~~2022~~ **2023** , we had $ 4, ~~355~~ **010** . ~~4~~ **0** million of indebtedness, including finance lease obligations. In addition, we had $ 2, ~~201~~ **673** . ~~1~~ **8** million of availability under the **Amended** ABL Facility (as defined below under"- Management' s Discussion and Analysis of Financial Condition and Results of Operations-- Financing Activities in Part II, Item 7 of this Form 10- K (" Item 7")") after giving effect to $ ~~190~~ **172** . ~~5~~ **2** million of outstanding letters of credit and $ ~~104~~ **99** . ~~4~~ **7** million of lenders' reserves under the **Amended** ABL Facility. Our high degree of leverage could have important consequences for us, including: • requiring us to utilize a substantial portion of our cash flows from operations to make payments on our indebtedness, reducing the availability of our cash flows to fund working capital, capital expenditures, development activity, and other general corporate purposes; • increasing our vulnerability to adverse economic, industry, or competitive developments; • exposing us to the risk of increased interest rates to the extent our borrowings are at variable rates of interest; • making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing our indebtedness; • restricting us from making strategic acquisitions or causing us to make non- strategic divestitures; • limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes; and • limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting. A substantial portion of our indebtedness is floating rate debt. As interest rates increase, our debt service obligations on such indebtedness increase even though the amount borrowed ~~remained~~ **remains** the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. **As a result of** ~~In addition, interest on~~ the ~~ABL Facility is calculated based on~~ **discontinuation of the London Inter- Bank Offered Rate ("** LIBOR ~~. On July 27, 2017, the U. K. Financial Conduct Authority (the " FCA~~ ") ~~announced that it will no longer require banks to submit rates for the calculation of LIBOR after 2021. On March 5, 2021, the Intercontinental Exchange Benchmark Administration (" IBA "), the administrator of LIBOR, announced that it will cease publication of U. S. dollar LIBOR tenors~~ as ~~of~~ **a reference rate on** June 30, 2023, ~~for the most common tenors (overnight and one, three~~ - **there is uncertainty** ~~, six and twelve months). Additionally,~~ as **to whether the transition from** ~~of December 31, 2021, IBA ceased publication of U. S. dollar~~ LIBOR ~~tenors for less common tenors (one week and two~~ - **to** ~~months) as well as all tenors of non- U. S. dollar LIBOR as of December 31, 2021. The ABL Facility provides for the use of~~ the Secured Overnight Financing Rate (" SOFR ") ~~as a replacement~~ **or another reference** rate ~~upon a~~ **will result in financial market disruptions or higher interest costs to borrowers, which could increase our interest expense and have an adverse effect on our business and results of operations. Our ABL Facility was recently amended to replace** LIBOR ~~cessation event~~ **with SOFR** . SOFR is a relatively new reference rate and has a very limited history. The future performance of SOFR cannot be predicted based on its limited historical performance. Since the initial publication of SOFR in April 2018, changes in SOFR have, on occasion, been more volatile than changes in other benchmark or market rates, such as U. S. dollar LIBOR. Additionally, any successor rate to SOFR under the **Amended** ABL Facility may not have the same characteristics as SOFR or LIBOR. As a result, the consequences of the phase- out of LIBOR cannot be entirely predicted at this time. We may elect to enter into interest rate swaps to reduce our exposure to floating interest rates as described below under " — We may utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness and we will be exposed to risks related to counterparty creditworthiness or non- performance of these instruments. " However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk. Servicing our indebtedness will require a significant amount of cash. Our ability to generate sufficient cash depends on many factors, some of which are not within our control. Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. To a certain extent, this ability is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. If we are unable to generate sufficient cash flow to service our debt and to meet our other commitments, we may need to restructure or refinance all or a portion of our debt, sell material assets or operations, or raise additional debt or equity capital. We may not be able to affect any of these actions on a timely basis, on commercially reasonable terms, or at all, and these actions may not be sufficient to meet our capital requirements. In addition, any refinancing of our indebtedness could be at a higher interest rate, and the terms of our existing or future debt arrangements may restrict us from effecting any of these alternatives. Our failure to make the required interest and principal payments on our indebtedness would result in an event of default under the agreement governing such indebtedness, which may result in the acceleration of some or all of our outstanding indebtedness. Despite our high indebtedness level, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness. We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the agreements governing our indebtedness contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. The agreements governing our outstanding indebtedness contain restrictions that limit our flexibility in operating our business. The agreements governing our outstanding indebtedness contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit the ability of our subsidiaries to, among other things: • incur, assume, or permit to exist additional indebtedness or guarantees; • incur liens; • make investments and loans; • pay dividends, make payments, or redeem or repurchase capital stock; • engage in mergers, liquidations, dissolutions, asset sales, and other dispositions (including sale leaseback transactions); • amend or otherwise alter terms of certain indebtedness; • enter into agreements limiting subsidiary distributions or containing negative pledge clauses; • engage in certain transactions with affiliates; • alter the business that we conduct; • change our fiscal year; and • engage in any activities other than permitted activities. As a result of these restrictions, we are limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders and / or amend the covenants. A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions, and, in the case of our ABL Facility, amounts due may be accelerated and the rights and remedies of the lenders may be exercised, including rights with respect to the collateral securing the obligations. We ~~may~~ utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness **,** and we **are** ~~will be~~ exposed to risks related to counterparty credit worthiness or non-performance of these instruments. We ~~may~~ enter into pay- fixed interest rate swaps to limit our exposure to changes in variable interest rates. Such instruments may result in economic losses should interest rates decline to a point lower than our fixed rate commitments. We **are** ~~will be~~ exposed to credit- related losses, which could affect the results of operations in the event of fluctuations in the fair value of the interest rate swaps due to a change in the credit worthiness or non- performance by the counterparties to the interest rate swaps.