

Risk Factors Comparison 2024-08-14 to 2023-08-16 Form: 10-K

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Risks Relating to Our Business and Industry Periods of difficult economic conditions, a public health crisis, 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 **and international** 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 **(including such as the COVID-19 pandemic pandemics and epidemics)**, 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, **generally tend to** negatively affect consumer confidence and discretionary spending. In fiscal **2023-2024**, 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.~~ 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~~ **(including as a result of 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, 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 **acts of bioterrorism --- terrorism in the United States**, international hostilities, civil insurrection, and social unrest. ~~Moreover, commodity prices continue to be volatile and have generally increased due to supply chain disruptions and labor and transportation shortages.~~ 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 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 1~~ **June 29**, ~~2023-2024~~, we had **approximately 37 more than 35**, 000 employees of whom approximately ~~12, 600-245~~ 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 inability to renegotiate union contracts could have a material adverse effect on ~~us~~ **our business**. 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~~ **adversely impact** our **results of operating operations 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. **Any prolonged** ~~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. See the discussion under "Human Capital Resources" in Item 1, "Business" for additional information regarding our talent acquisition and talent management efforts in the context of these labor shortages. **shortage or period of high employee turnover could have an adverse impact on our productivity and have an adverse effect on our business, financial condition and results of operations.** 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. 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 substantially** 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~~ **breaches**, 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 **prevent or mitigate** other ~~cyber~~ **cybersecurity** incidents. However, we and our third- party providers experience cybersecurity incidents of varying degrees from time- to- time, including ransomware and phishing attacks, as well as distributed denial of service attacks, **social engineering attacks** and the theft of data. To date, interruption of our information technology networks and systems and unauthorized access ~~to~~ or ~~exfiltration~~ **theft** 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~~ **In addition**, a ~~portion of our corporate~~ **cyber criminals are increasing their attacks on individual** employees ~~work remotely using smartphones with business email compromise scams designed to trick victims into transferring sensitive data or funds, tablets or steal credentials that compromise information systems. Moreover~~, and other -- ~~the wireless devices, which may further heighten~~ **rapid evolution and increasing adoption of artificial intelligence technologies could both intensify our cybersecurity risks and introduce new risks.** ~~these~~ **These** and other operational risks **may also be heightened due to a portion of our employees, and the employees of our customers, suppliers and business partners working remotely or using personal devices due to challenges associated with managing remote computing assets and security vulnerabilities that are present in many non- corporate and home networks. There can be no assurance that our operations will not be materially adversely impacted in the future, and there is a risk that we may incur significant costs in protecting against or remediating cyberattacks or other cyber incidents, especially if the amount of insurance coverage we maintain is not sufficient to cover claims or liabilities relating to an incident. The theft, destruction, loss, misappropriation, release of sensitive or confidential information or intellectual property, or interference with our information technology systems or the technology systems of third parties on which we rely, including our third- party service providers, suppliers, and customers, could result in business disruption, a disruption in our supply chain, or reduced customer orders, negative publicity, brand damage, violation of privacy laws, loss of customers, potential liability, and remediation costs, which could adversely affect our business, financial condition, or results of operations.** 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. ~~Any~~ **Failure failure** to adequately assess and identify cybersecurity risks associated with acquisitions and new initiatives ~~would~~ **could** increase our ~~vulnerability~~ **susceptibility** 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 profits, as well as to serve customers effectively, depends on the reliability of our information technology systems and related data entry processes. We rely on software and other technology systems, some of which are managed by third- party service providers, to manage significant aspects of our business, including making purchases, processing orders, managing our warehouses, loading trucks in the most efficient manner, and optimizing the use of storage space. **Our reliance on such networks and systems has increased due to a portion of our employees, and the employees of our customers, suppliers and business partners, working remotely or using personal devices.** The failure of our information technology systems, **including those managed by third- party service providers**, to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems, **including those managed by third- party service providers**, 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, theft and inadvertent release of information.** While we have invested and continue to invest in technology security initiatives and disaster recovery plans, these measures cannot fully insulate us from technology disruptions that could have a material adverse

effect on our business, financial condition, or results of operations. 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. ~~For example, we may incorporate artificial intelligence (AI) solutions into our platform, offerings, services and features, and these applications may become important in our operations over time. Any failure to implement new technologies in a timely and cost-effective manner, or if~~ competitors implement new technologies before we do, ~~including AI,~~ allowing such competitors to provide lower priced or enhanced services of superior quality compared to those we provide, ~~this~~ could have a material adverse effect on our business, financial condition, or results of operations. Competition in our industry is intense, and we may not be able to compete successfully. The foodservice distribution industry is highly competitive, ~~with numerous regional, local, and specialty distributors~~. Certain of our competitors ~~may~~ have greater ~~scale,~~ financial and other resources than we do ~~in certain markets~~. 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~~ ~~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, ~~and~~ 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 current or potential ~~future~~ competitors 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 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~~ ~~could~~ have a 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, ~~we experienced the impact of current economic conditions has resulted in~~ inflation of ~~8-3.6-7%~~ for fiscal ~~2023-2024~~, which ~~has~~ increased 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, ~~that~~ the volume ~~and~~ /or number of our customers' purchase orders may not remain constant or increase and we may be 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 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 ~~in the past~~ 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 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 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 **make additional disclose disclosures regarding the ingredients and nutritional content of our food products.** **Moreover, Compliance 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 material adverse 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, could interrupt our operations and reduce the number of consumers who visit our customers' facilities in such areas. Furthermore, such extreme weather conditions may **disrupt critical infrastructure in the United States and** interrupt or impede access to **our facilities or** 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 2023, the United States experienced significant increases in fuel prices and, as a result, the Company's fuel expense increased \$ 30. 8 million in fiscal 2023 compared to fiscal 2022.~~ 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, **the use of such arrangements may expose us to the risk that our counterparties fail to perform their obligations, which could result in financial losses.** Furthermore, 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 climate change** 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~~ **club stores, commercial wholesale outlets, direct food wholesalers and Costco online food retailers** have developed a lower cost structure to provide, **creating increased pressure on their-- the industry's profit margins** ~~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, **resulting in an adverse affect on our business, financial condition and results of operations**. 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~~ **depends** 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. **Our growth strategy includes growth through strategic acquisitions** ~~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 regularly evaluate opportunities to acquire other companies. To the extent our future growth includes acquisitions, we may not 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. **In connection with our acquisition of businesses in the future, if any, we may decide to consolidate the operations of any acquired business with our existing operations or make other changes with respect to the acquired business, which could result in special charges or expenses.** Our earnings results of operations also may be reduced ~~adversely affected by expenses we incur in making acquisitions,~~ by amortization of charges associated with any future acquisitions. After we complete an acquisition ~~- related~~, we must amortize any identifiable intangible assets associated with the **definite lives and by additional depreciation attributable to** acquired company over future periods. We also must amortize any identifiable intangible assets. **Moreover, in connection with contemplated or completed acquisitions or divestitures, we may incur related asset impairment charges** that we acquire directly. Our amortization of these amounts reduces ~~reduce~~ our **profitability** future earnings in the affected periods. Our business is subject to significant governmental regulation, and costs or claims **for non-compliance** 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~~ 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 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, **provincial, regional** 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. 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 **vapor e-cigarette** products), require ingredient listings be displayed on tobacco and alternative nicotine products, prohibit the use of certain terms 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 e- vapor products**, 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 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 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 **related to climate change, including those enacted to try** to reduce GHG **emissions** could also directly or indirectly affect our suppliers, **which who could increase the prices adversely affect our business, financial condition, or results of operations the products that we buy from them to recover the costs they incur related to such laws**. 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 **2023-2024**, we established goals for the reduction of GHG emissions, which include a target of reducing Scope 1 and 2 GHG **emission emissions intensity** by **15-30%** by **2030-2034** 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 GHG emissions**, 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 e- vapor products** and other alternative nicotine products, and other factors, cigarette consumption in the United States has been declining over the past few decades. In many instances, tobacco alternatives, such as **electronic cigarettes e- vapor products**, 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 business, financial condition, or results 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. 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, 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 may be subject to or affected by product liability claims relating to products we distribute. We may be exposed to product liability claims in the event that the use of the products we sell is alleged to 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. For example, punitive damages may not be covered by insurance. In addition, we 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, the liability relating to defective products could adversely affect our business, financial condition, or results of operations. 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 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 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 and other pandemics (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. **Moreover, the growing use of social and digital media by consumers has greatly increased the speed and extent that information or misinformation and opinions can be shared. Negative posts or comments about us, our brands, or our products on social or digital media could significantly damage our brands and reputation. Additionally, negative reaction to our marketing and advertising, including our social media content, could result in damage to our brands and reputation.** 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, **including claims related to incidents within our operations and vehicle and driver related claims,** 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. **For example, we experienced a \$ 42. 9 million increase in insurance expense in**

fiscal 2024 compared to fiscal 2023, primarily related to vehicle liability and our workers' compensation. 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 Relating to Our Indebtedness Our **substantial leverage future financial and operating flexibility** could **be** adversely affect **affected by** our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or **our level** 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 1, 2023~~ **June 29, 2023**, we had \$ ~~4,010,048.09~~ **4,010,048.09** million of indebtedness, including finance lease obligations. In addition, we had \$ ~~2,673,678.8~~ **2,673,678.8** million of availability under the ~~Amended~~ ABL Facility (as defined below under "Management's Discussion and Analysis of Financial Condition and Results of Operations- **Liquidity and Capital Resources - Financing Activities**" in Part II, Item 7 of this Form 10- K ("**Item 7**")") after giving effect to \$ ~~172,160.24~~ **172,160.24** million of outstanding letters of credit and \$ ~~99,961.73~~ **99,961.73** million of lenders' reserves under the ~~Amended~~ ABL Facility. **Subsequent to June 29, 2024, the Company paid \$ 579.0 million for an acquisition with additional borrowings under the ABL Facility. We expect to finance the \$ 2.1 billion purchase price for the Cheney Brothers Transaction with additional borrowings under the ABL Facility and the net proceeds from the issuance of new senior unsecured notes.** Our **level high degree of leverage indebtedness** 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, **share repurchases** 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 remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. **As Our ABL Facility uses a result of Secured Overnight Financing Rate ("SOFR") base rate following** the discontinuation of the London Inter- Bank Offered Rate ("LIBOR") as a reference rate on June 30, 2023, there is uncertainty as to whether the transition from LIBOR to the Secured Overnight Financing Rate ("SOFR") or another reference rate 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 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~~ **will** utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness and we ~~will~~ **are** 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 **to service our indebtedness** 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 debt service** 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 level of** 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 level of** 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 utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness, and we are exposed to risks related to counterparty credit worthiness or non- performance of these instruments. We 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 **also** 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.

Risks Relating to the Cheney Brothers Transaction The Cheney Brothers Transaction is subject to a number of conditions, and if these conditions are not satisfied or waived on a timely basis, the Cheney Brothers Transaction may not be completed. Failure to complete the Cheney Brothers Transaction could have material adverse effects on our ongoing business. The completion of the Cheney Brothers Transaction is subject to a number of conditions, including (i) the expiration or termination of the applicable waiting period under the Hart- Scott- Rodino Act (the “ HSR Act Clearance ”) and the absence of a burdensome condition (as defined in the Cheney Brothers Transaction purchase agreement) being a condition to the receipt of the HSR Act Clearance, (ii) the absence of any legal restraint preventing the consummation of the Cheney Brothers Transaction, (iii) the continuing accuracy of each party’ s representations and warranties and compliance by the parties with their respective covenants (subject to materiality qualifiers) and (iv) the satisfaction of other conditions customary for a transaction similar to the Cheney Brothers Transaction, which make the completion of the Cheney Brothers Transaction and timing thereof uncertain. If the Cheney Brothers Transaction is not completed within the expected timeframe, such delay could, among other things, result in additional transaction costs or liabilities, loss of revenue and other negative effects on our ongoing business, financial condition and results of operations, including the loss of synergies and other anticipated benefits following completion of the Cheney Brothers Transaction. If the Cheney Brothers Transaction is not completed, our ongoing business may be materially adversely affected and, without realizing any of the anticipated post- closing benefits of the Cheney Brothers Transaction, we will be subject to a number of risks, including the following: • the market price of our common stock could decline; • we could owe a \$ 115. 2 million termination fee to Cheney Brothers under certain circumstances relating to a failure to obtain the HSR Act Clearance or any other required antitrust or competition approvals; • time and resources committed by our management to matters relating to the Cheney Brothers Transaction could otherwise have been devoted to day- to- day operations and other opportunities that may have been beneficial to our company; • we may experience negative reactions from the financial markets or from our customers, suppliers, other business partners, employees and regulators; and • we will be required to pay costs relating to the Cheney Brothers Transaction, such as financial advisory, legal and accounting costs, whether or not the Cheney Brothers Transaction is completed. If the Cheney Brothers Transaction does not close, these risks could adversely impact our ongoing business. We and Cheney Brothers are each subject to business uncertainties and contractual restrictions while the Cheney Brothers Transaction is pending, which could adversely affect the business and operations of the combined company. During the pendency of the Cheney Brothers Transaction, it is possible that some customers, suppliers and other persons with whom we or Cheney Brothers have a business relationship may delay or defer certain business decisions or seek to terminate, change or renegotiate their relationships with us or Cheney Brothers, as the case may be, as a result of the Cheney Brothers Transaction, which could negatively affect our current or the combined company’ s future revenues, earnings and cash flows, regardless of whether the Cheney Brothers Transaction is completed. Under the terms of the Cheney Brothers Transaction purchase agreement, Cheney Brothers is subject to certain restrictions on the conduct of its business prior to completing the Cheney Brothers Transaction, which may adversely affect its ability to execute certain of its business strategies, including the ability in certain cases to enter into or amend contracts, acquire or dispose of assets, incur indebtedness or fund capital expenditures. Such limitations could adversely affect Cheney Brothers’ business and operations prior to the completion of the Cheney Brothers Transaction. Each of the risks described above could be exacerbated by delays or other adverse developments with respect to the completion of the Cheney Brothers Transaction. Uncertainties associated with the Cheney Brothers Transaction may cause a loss of management personnel and other key employees, and we may have difficulty attracting and motivating management personnel and other key employees, which could adversely affect our future business and operations. We are dependent on the experience and industry knowledge of our management personnel and other key employees to execute our business plans. Our success after the completion of the Cheney Brothers Transaction will depend in part upon our ability to attract, motivate and retain key management personnel and other key employees. Prior to completion of the Cheney Brothers Transaction, current and prospective employees

may experience uncertainty about their roles within our Company following the completion of the Cheney Brothers Transaction, which may have an adverse effect on our ability to attract, motivate or retain management personnel and other key employees. In addition, no assurance can be given that we will be able to attract, motivate or retain management personnel and other key employees to the same extent after the completion of the Cheney Brothers Transaction. Following completion of the Cheney Brothers Transaction, we may be unable to effectively and efficiently execute our integration plan, and the anticipated synergies and other benefits of the Cheney Brothers Transaction may not be realized or may not be realized within the expected timeframe. Achieving the anticipated benefits of the Cheney Brothers Transaction is subject to a number of uncertainties, including whether Cheney Brothers, which currently operates as an independent company, can be integrated with our business in an efficient and effective manner. If we are unable to achieve our integration objectives within the anticipated timeframe, or at all, the expected benefits, including synergies, cost savings and operational efficiencies, 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 adversely affected. Additionally, as a result of the Cheney Brothers Transaction, rating agencies may take negative actions against our credit ratings, which may increase our financing costs, including in connection with the financing of the Cheney Brothers Transaction. The integration of Cheney Brothers with our existing business will be a complex, costly and time-consuming process that may involve material challenges, including, without limitation: • the diversion of management's attention from ongoing business concerns, potentially resulting in performance shortfalls; • managing a larger company; • maintaining employee morale and attracting, motivating and retaining management personnel and other key employees; • the possibility of faulty assumptions underlying expectations regarding the integration process; • retaining existing, 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 Cheney Brothers Transaction. Many of these factors will be outside of our control and any one of them could materially affect our financial position, results of operations and cash flows, as well as our ability to achieve the anticipated benefits of the Cheney Brothers Transaction. We may not have discovered undisclosed liabilities of Cheney Brothers during our due diligence process. During our due diligence review of Cheney Brothers conducted prior to the execution of the Cheney Brothers Transaction purchase agreement, we may not have discovered, or may have been unable to quantify, undisclosed liabilities of Cheney Brothers and its subsidiaries. Examples of such undisclosed liabilities may include, but are not limited to, pending or threatened litigation or regulatory matters. Any such undisclosed liabilities could have an adverse effect on our business, results of operations, financial condition and cash flows following the completion of the Cheney Brothers Transaction.