Risk Factors Comparison 2023-08-28 to 2022-08-24 Form: 10-K

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In addition to the other information in this report and our other filings with the SEC, you should carefully consider the risks and uncertainties described below, which could materially and adversely affect our business operations, financial condition and results of operations. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, financial condition, operating results, and prospects could be materially and adversely affected. In that event, the price of our common stock could decline and you could lose all or part of your investment. Risk Factor Summary The following summary description sets forth an overview of the material risks we are exposed to in the normal course of our business activities. The summary does not purport to be complete and is qualified in its entirety by reference to the full risk factor discussion immediately following this summary description. • Our ability to manage our growth effectively. • The resulting effects of ~~any potential breach of our security measures or any~~ unauthorized access to our customers' or their employees' personal data **as a result of a breach of our or our vendors' securities measures** , including by way of computer viruses, worms, phishing and ransomware attacks, malicious software programs, and other data security threats. • The expansion and retention of our direct sales force with qualified and productive persons and the related effects on the growth of our business. • The impact on customer expansion and retention if implementation, user experience, customer service, or performance relating to our solutions is not satisfactory. • The timing of payments made to employees and taxing authorities relative to the timing of when a customer' s electronic funds transfers are settled to our account. • Future acquisitions of other companies' businesses, technologies, or customer portfolios. • The continued service of our key executives. • Our ability to innovate and deliver high- quality, technologically advanced products and services. • Our ability to attract and retain qualified personnel, including software developers and skilled IT, sales, marketing, and operation personnel. • The proper operation of our software. • Our relationships with third parties. • Damage, failure, or disruption of our Software- as- a- Service (" SaaS ") delivery model, data centers, or our third- party providers' services. • Our ability to protect our intellectual and proprietary rights. • The use of open source software in our applications. • The growth of the market for cloud- based human capital management and payroll software among small and medium- sized businesses (" SMBs "). • The competitiveness of our market generally. • The **ongoing** effects of inflation, supply chain disruptions, labor shortages and other ~~ongoing~~ **adverse** macroeconomic ~~impacts from~~ **conditions in** the **markets in which we and our customers operate** ~~novel coronavirus pandemic (" COVID- 19 pandemic ")~~ . • The impact of an economic **downturn or** recession in the United States (" U. S. ") or global economy. • Our customers' dependence on our solutions to comply with applicable laws. • Our ability to comply with anti- corruption, anti- bribery and similar laws. • Changes in laws, regulations, or requirements applicable to our software and services. • The impact of privacy, data protection, tax and other laws and regulations. • Our ability to maintain effective internal controls over financial reporting. Risks Relating to Our Business, Products, and Operations Failure to manage our growth effectively could increase our expenses, decrease our revenue, and prevent us from implementing our business strategy, and sustaining our revenue growth rates. We have been rapidly growing our revenue and number of customers, and we will seek to do the same for the foreseeable future. However, the growth in our number of customers puts significant strain on our business, requires significant capital expenditures, and increases our operating expenses. To manage this growth effectively, we must attract, train, and retain a substantial number of qualified sales, implementation, customer service, software development, information technology, and management personnel. We also must maintain and enhance our technology infrastructure and our financial and accounting systems and controls. If we fail to effectively manage our growth, or we over- invest or under- invest in our business, our business and results of operations could suffer from the resultant weaknesses in our infrastructure, systems, or controls. We could also suffer operational mistakes, a loss of business opportunities, and employee losses. If our management is unable to effectively manage our growth, our expenses might increase more than expected, our revenue could decline or might grow more slowly than expected, and we might be unable to implement our business strategy. In addition, our revenue growth rates may decline in future periods because of several factors, including our failure to manage our growth effectively, our increased market penetration and the maturation of our business, slowing demand for our services, reductions in the number of employees by our customers, reductions in the number of our customers ~~, public health issues such as the COVID- 19 pandemic~~ , or a decrease in the growth of the overall market, among other factors. Additionally, we rely on the expansion of our relationships with our third- party partners as we grow our solutions. Our agreements with third parties are typically non- exclusive and do not prohibit them from working with our competitors. Our competitors may be effective in providing incentives to these same third parties to favor their products or services. In addition, acquisitions of our partners by our competitors could result in a reduction in the number of our current and potential customers, as our partners may no longer facilitate the adoption of our applications by potential customers after an acquisition by any of our competitors. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenues could be impaired, which could have a material adverse effect on our business, financial condition, and results of operations. Even if we are successful, we cannot assure you that these relationships will result in increased customer usage of our applications or increased revenues. If our security measures are breached, or unauthorized access to our customers' or their employees' personal data is otherwise obtained, we may be subject to lawsuits, fines, or other regulatory action, causing us to incur significant costs related to remediation, our solutions may not be perceived as being secure, customers may reduce the use of or stop using our solutions, our ability to attract new customers may be harmed, and we may incur significant liabilities. Our solutions involve the collection, processing, storage, use, disclosure, and transmission of customers' and their employees' confidential and proprietary information, including personal data, as well as financial and payroll data. We rely on the efficient and uninterrupted operation of complex information technology systems and networks to operate our business. Attempts by others to gain unauthorized access to information technology systems and the data contained therein are becoming increasingly sophisticated and difficult to prevent. In particular, HCM software such as ours may be specifically targeted in cyber- attacks, including by way of computer viruses, worms, phishing attacks, ransomware, malicious software programs, and other data security threats, which could result in the unauthorized release, access, gathering, monitoring, encryption, misuse, loss, or destruction of our customers' sensitive and / or confidential data (including personal data), or otherwise disrupt our customers' or other third parties' business operations. If cybercriminals, including those working in the capacity of hackers, State actors, inside threats, or cybercrime groups, can circumvent our security measures, or if we are unable to detect an intrusion into or misuse of our systems and contain such intrusion or misuse in a reasonable amount of time, our information and our customers' personal data, including confidential and personal data, may be compromised. We seek to **promptly** detect and investigate all security incidents **, mitigate any resulting loss or damage** and ~~to~~ prevent their recurrence, but, in some cases, we ~~might~~ **may** be unaware of an incident or its magnitude and effects. There can be no assurance that our Information Technology (" IT ") security and recovery system will be sufficient to prevent or limit the damage from any future cyber- attack or disruptions or to allow us to reinstate any operations that were affected by such attack or disruption. Additionally, customers or other third parties may seek monetary damages from us in connection with any such breaches or other incidents. Certain of our employees have access to personal data about our customers' employees. While we conduct background checks of our employees and limit access to systems and data, it is possible that one or more of these individuals may circumvent these controls, resulting in a security breach. Outside parties have **fraudulently induced our employees** in the past, and may also attempt **to do so** in the future **,** ~~to fraudulently induce our employees~~ to disclose personal data via illegal electronic spamming, phishing, or other tactics. In addition, some of our third- party service providers and other vendors have access to certain portions of our IT system. Any failures **, misconduct** or negligence on the part of these service providers **and vendors, including their respective employees and representatives,** may cause material disruptions in our business **and operations** . Although we have security measures in place to protect regulated and personal data, and to prevent data loss and other security breaches, these measures could be breached because of third- party action, employee error, third- party or employee malfeasance, or otherwise. Because the techniques used to obtain unauthorized access **to** or to sabotage systems change frequently, we may not be able to anticipate these techniques and implement adequate preventative or protective measures **, including in a timely manner** . While we currently maintain a cyber- liability insurance policy, our cyber liability insurance coverage may be inadequate or may not **continue to** be available in the future on acceptable terms, or at all. In addition, our cyber liability insurance policy may not cover all claims made against us, and defending a suit, regardless of its merit, could be costly and divert management' s attention from our business and operations. We have experienced data security incidents in the past, and expect to experience additional incidents in the future, however, to date no such incidents have been material **to our business, operating results or financial condition** . Any actual or perceived data security breach or incident could require notifications to data subjects, data owners, and / or other third parties (including regulators) under applicable data breach notification laws, damage our reputation, cause existing customers to discontinue the use of our solutions, prevent us from attracting new customers, or subject us to third- party lawsuits, regulatory fines, or other actions or liabilities, any of which could adversely affect our business, operating results or financial condition. If our **IT** systems, or the **IT** systems at our third- party service providers, were breached or attacked, the proprietary and confidential information of our company and our customers as well as personal data could be disclosed, and we may be required to incur substantial costs and liabilities, including the following: • Expenses to rectify the consequences of the security breach or cyber- attack. • Claims by customers or their employees related to stolen information, including personal data. • Costs of repairing damage to our systems. • Lost revenue and income resulting from any system downtime caused by such breach or attack. • Loss of competitive advantage if our proprietary information is obtained by competitors as a result of such breach or attack. • Increased costs of cyber security insurance or other security risk mitigation tools. • Damage to our reputation. As a result, any compromise of security of our **IT** systems **, or those of** ~~or~~ **our third- party service providers, or a** cyber- attack **of those systems** could have a material adverse effect on our business, reputation, financial condition, and operating results. If we fail to adequately expand and retain our direct sales team with qualified and productive persons, or if our direct sales efforts are not successful, we may not be able to grow our business effectively. We primarily sell our products and implementation services through our direct sales team. Generating new customer relationships with SMBs, our primary customer base, depends heavily on a qualified and trained sales team. To grow our business, we intend to focus on growing our direct sales force and our customer base for the foreseeable future. Our ability to add customers and to achieve revenue growth in the future will depend upon our ability to grow and develop our direct sales force and on our direct sales force' s ability to productively sell our solutions. Identifying and recruiting qualified personnel and training them in the use of our software requires considerable time, expense, and attention. Recruiting and developing sales personnel in locations where we do not have experience hiring and selling our products may be more difficult than we anticipate. The amount of time it takes for our sales representatives to be fully trained and to become productive varies widely. Some of our sales personnel do not successfully generate new business with customers even after significant investment by us in recruiting, hiring and training them, and we incur expenses to replace them. In addition, if we hire sales personnel from competitors or other companies, their former employers may attempt to assert that these employees have breached their legal obligations, resulting in a diversion of our time and resources. Our ability to achieve significant revenue growth in the future will depend on the success of our direct sales force and our ability to adapt our sales efforts to address the evolving markets for our products. If our sales organization does not perform as expected, our revenues and revenue growth could suffer. In addition, if we are unable to hire, develop, and retain talented sales personnel, if our sales team becomes less efficient as it grows or if new sales representatives are unable to achieve desired productivity levels in a reasonable period of time, we may not be able to grow our customer base and revenues and our sales and marketing expenses may increase. Our business, operating results, financial condition, or reputation could be adversely affected if our customers are not satisfied with our implementation, user experience, or customer service, or if our solutions fail to perform properly. Our business depends on our ability to satisfy our customers, both with respect to our applications and the technical support provided to help our customers use the applications that address the needs of their businesses. We use implementation and customer services teams to implement and configure our solutions and provide support to our customers. Customers' support requests span numerous subjects, and the volume of such requests can be high, particularly during peak periods (such as open enrollment season), which may result in long wait times to contact us for support. If a customer is not satisfied with the quality of our solutions, the applications delivered, or the timeliness or quality of support provided, we could incur additional costs to address the situation, our profitability might be negatively affected, and the customer' s dissatisfaction with our implementation or support service could harm our ability to sell additional applications to that customer. In addition, our sales process is highly dependent on the reputation of our solutions and applications and on positive recommendations from our existing customers. Our customers have no obligation to continue to use our applications and may choose not to continue to use our applications at the same or higher level of service, if at all. Moreover, our customers generally have the right to cancel their agreements with us for any or no reason by providing 30 days' prior written notice. In the past, some of our customers have elected not to continue to use our applications. Any failure to maintain a high- quality user experience and customer support, or a market perception that we do not maintain high- quality support, could adversely affect customer retention, our reputation, our ability to sell our applications to existing and prospective customers, and, as a result, our business, operating results, or financial condition. Further, our solutions are inherently complex and may in the future contain or develop undetected defects or errors. Any defects in our applications could adversely affect our reputation, impair our ability to sell our applications in the future or retain current clients, and result in significant costs to us. The costs incurred in correcting any application defects may be substantial and could adversely affect our business, operating results, or financial condition. Any defects in functionality or defects that cause interruptions in the availability of our applications could result in: • Loss of clients or delayed market acceptance and sales of our applications. • Termination of service agreements or loss of customers. • Credits, refunds, or other liability to customers, including reimbursements for any fees or penalties assessed by regulatory agencies. • Breach of contract, breach of warranty, or indemnification claims against us, which may result in litigation. • Diversion of development and service resources, or increased costs to hire additional development and service resources to correct defects or errors. • Increased scrutiny of our solutions from regulatory agencies. • Injury to our reputation. Because of the large amount of data that we collect and manage, it is possible that hardware failures or errors in our applications could result in data loss, data corruption, or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. Our customers might assert claims against us in the future alleging that they suffered damages due to a defect, error, or other failure of our solutions. Our errors and omissions insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover all claims made against us, and defending a suit, regardless of its merit, could be costly and divert management' s attention. Any failures in the performance of our solutions could harm our reputation and our ability to retain existing customers and attract new customers, which would have an adverse impact on our business, operating results, or financial condition. See " — Risks Relating to Our Business, Products and Operations — Our software might not operate properly, which could damage our reputation, give rise to claims against us, or divert application of our resources from other purposes, any of which could harm our business and operating results. " We may pay **our customers'** employees and taxing authorities amounts ~~due~~ **to which they are entitled from the respective customer** for a **particular** payroll period before ~~a~~ **that** customer' s electronic funds transfers are finally settled ~~to~~ **into** our account. If **a** customer **' s** ~~payments~~ **payment** ~~are~~ **of those funds is** rejected by **any of the transferring** banking institutions or otherwise fail to clear into our accounts, we may require additional sources of short- term liquidity or incur a loss and our operating results could be adversely affected. Our payroll processing application moves significant funds from the account of a customer to **their** employees and relevant taxing authorities **each payroll period** . For larger funding amounts, we typically require customers to transfer the funds to us via fed wire **in advance of paying the respective customer' s employees and taxing authorities** , but **on occasion,** we ~~sometimes~~ process payroll prior to confirmation of receipt of such funds **into our account** . For smaller funding amounts, we debit a customer' s account prior to **making** any ~~disbursement~~ **disbursements** on its behalf, and **under** ~~due to~~ ACH banking regulations, funds previously credited could be reversed under certain circumstances and time frames after our payment of amounts due to **the customer' s** employees and taxing and other regulatory authorities. There is therefore a risk that the customer' s funds ~~will~~ **could** be insufficient to cover the amounts we have already paid on its behalf. While such shortage and accompanying financial exposure has **occurred** only ~~occurred~~ in very limited circumstances in the past, should customers default on their payment obligations **to us** in the future, we might be ~~required~~ **unable** to ~~advance~~ **recover** substantial funds **advanced** to cover such obligations **. Recent pressures on the banking system (and in particular, regional banks) could increase the likelihood of such defaults if our customers are not able to access their funds in a timely manner, such as was the case during the initial days of the Federal Deposit Insurance Corporation' s (" FDIC ") receivership of Silicon Valley Bank** . Additionally, if our customers enter into bankruptcy or liquidation proceedings following such a default, we may be treated as an unsecured creditor and incur related expenses or fail to obtain the full amount of such obligation, resulting in a loss. For example, we have in the past had customers enter into Chapter 11 bankruptcy proceedings following a failure to fund **their** payroll **obligations** that we advanced. ~~In~~ **If** such ~~an event~~ **events were to occur in the future** , we may incur a negative impact to our cash position and be required to seek additional sources of short- term liquidity, which may not be available on reasonable terms, if at all, and our operating results and our liquidity could be adversely affected, and our banking relationships could be harmed **. Further, if a customer were to dispute a payment transaction, including as a result of fraudulent activity involving our products, payment due from a customer could be delayed pending investigation and settlement of the**

dispute. Losses we incur from disputed transactions and any resulting impact on the timing and amount of the payments due from our customers could have a material and adverse effect on our business, results of operations and financial condition . We may continue to acquire other companies' businesses, technologies, or customer portfolios, which could divert our management' s attention, result in additional dilution to our stockholders and otherwise disrupt our operations and adversely affect our operating results. We have acquired and may in the future seek to acquire or invest in other businesses, technologies, or customer portfolios. The pursuit of potential acquisitions or investments may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. Successful integration involves many challenges, and we may have difficulty integrating acquired personnel, operations, and technologies of acquired companies, or effectively managing the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business due to a number of factors, including: • Inability to integrate or benefit from acquired technologies or services in a profitable manner. • Unanticipated costs or liabilities associated with the acquisition. • Incurrence of acquisition- related costs. • Difficulty integrating the accounting systems, operations, and personnel of the acquired business. • Difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business. • Difficulty converting the customers of the acquired business onto our platform and contract terms, including disparities in the revenues, licensing, support, or professional services model of the acquired company. • Diversion of management' s attention from other business concerns. • Adverse effects to our existing business relationships with business partners and customers because of the acquisition. • The potential loss of key employees. • Difficulty obtaining acquisition financing on attractive terms, or at all. • Use of resources that are needed in other parts of our business. • Use of substantial portions of our available cash to consummate the acquisition. In addition, a significant portion of the purchase price of acquisitions may be allocated to acquired goodwill and other intangible assets on our balance sheet, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could increase our interest expense and adversely affect our operating results on a total or per share basis. In addition, if an acquired business fails to meet our expectations, our operating results, business, and financial position may suffer. We are dependent on the continued service of our executive officers and other senior leaders and, if we fail to retain such key executives, our business could be adversely affected. We believe that our success depends in part on the continued services of our senior management team, including Raul Villar Jr., our Chief Executive Officer, Adam Ante, our Chief Financial Officer, Chuck Mueller, our Chief Revenue Officer, and our other executive officers and senior leaders. Our business could be adversely affected if we fail to retain these key executives. Except with Mr. Villar Jr., Mr. Ante and Mr. Mueller, we do not have employment agreements with our executive officers or other key personnel that contract them to continue to work for us for any specified period, and, therefore, they could terminate their employment with us at any time. Although the employment arrangements of certain of our key executives contain non- competition restrictions, our business could nonetheless be adversely affected if a key executive leaves the Company and attempts to compete with us. In addition, we have not purchased key person life insurance on any members of our executive team. If we do not continue to innovate and deliver high- quality, technologically advanced products and services, we will not remain competitive, and our revenue and operating results could suffer. The market for our solutions is characterized by rapid technological advancements, changes in customer requirements, frequent new product introductions and enhancements, and changing industry standards. The life cycles of our products are difficult to estimate. Rapid technological changes and the introduction of new products and enhancements by new or existing competitors could undermine our current market position. Our success depends in substantial part on our continuing ability to provide products and services that SMBs will find superior to our competitors' product offerings and will continue to use. Our future success will depend upon our ability to anticipate and to adapt to changes in technology and industry standards, and to effectively develop, to introduce, to market, and to gain broad acceptance of new product and service enhancements incorporating the latest technological advancements. In addition, because our solutions are designed to operate on a variety of systems, we will need to continuously modify and enhance our solutions to keep pace with changes in internet- related hardware, iOS, Android, and other software, and communication, browser, and database technologies. **Additionally, we believe that providing insights from aggregated data, including those insights derived from advanced artificial intelligence (" AI ") and machine learning, may become increasingly important to the value that our solutions and services deliver to our customers.** We intend to continue to invest significant resources in research and development to enhance our existing products and services and introduce new high- quality products that customers will want. If we are unable to predict user preferences or industry changes, or if we are unable to modify our products and services on a timely basis or to effectively bring new products to market, our sales may suffer. In addition, investment in product development often involves a long return on investment cycle. We have made and expect to continue to make significant investments in product development. We may expend significant time and resources developing and pursuing sales of a particular enhancement or application that may not result in revenues in the anticipated time frame or at all, or may not result in revenue growth sufficient to offset increased expenses. Furthermore, uncertainties about the timing and nature of new functionality, or new functionality to existing platforms or technologies, could increase our research and development expenses. Any failure of our applications to operate effectively with future network platforms and technologies could reduce the demand for our applications, result in customer dissatisfaction, and have a material adverse effect on our business, financial condition, and results of operations. In addition, we may experience difficulties with software development, industry standards, design, or marketing that could delay or prevent our development, introduction or implementation of new solutions and enhancements. The introduction of new solutions by competitors, the emergence of new industry standards, or the development of entirely new technologies to replace existing product offerings could render our existing or future solutions obsolete. We may not have sufficient resources to make the necessary investments in software development and we may experience difficulties that could delay or prevent the successful development, introduction, or marketing of new products or enhancements. In addition, our products or enhancements may not meet the increasingly complex customer requirements of the marketplace or achieve market acceptance at the rate we expect, or at all. Any failure by us to anticipate or respond adequately to technological advancements, customer requirements, and changing industry standards, or any significant delays in the development, introduction, or availability of new products or enhancements, could undermine our current market position. If we are unable to attract and retain qualified personnel, including software developers and skilled IT, sales, marketing, and operational personnel, our ability to develop and market new and existing products, as well as acquire and retain customers, and, in turn, increase our revenue and profitability could be adversely affected. Our future success is dependent on our ability to continue to enhance and introduce new applications. As a result, we are heavily dependent on our ability to attract and retain qualified software developers and IT personnel with the requisite education, background, and industry experience. In addition, to continue to execute our growth strategy, we must also attract and retain qualified sales, marketing, and operational personnel capable of supporting a larger and more diverse customer base. The software industry is characterized by a high level of employee mobility and aggressive recruiting among competitors. This competition for qualified personnel may be amplified by new immigration laws or policies that could limit software companies' ability to recruit internationally. Although such changes in immigration laws or policies would not have a significant direct impact on our workforce, the ensuing increase in demand for software developers and IT personnel could impair our ability to attract or retain skilled employees and / or significantly increase our costs to do so. Furthermore, identifying and recruiting qualified personnel and training them in the use of our applications requires considerable time, expense, and attention, and it can take a substantial amount of time before our employees are fully trained and productive. Additionally, to the extent we hire employees that are subject to non- competition agreements with prior employers, they and we may be subject to litigation to enforce such agreements, which may divert their and our attention and resources and ultimately result in their inability to remain employed by us. Certain of our employees have been or are a party to litigation of non-competition agreements, which we have agreed to defend. The loss of the services of a significant number of employees could be disruptive to our development efforts, which may adversely affect our business by causing us to lose customers, increase operating expenses, or divert management' s attention to recruit replacements for the departed employees **. Our software might not operate properly, which could damage our reputation, give rise to claims against us, or divert application of our resources from other purposes, any of which could harm our business and operating results** . Our payroll and HCM software is complex and may contain or develop undetected defects or errors, particularly when first introduced or as new versions and updates are released. From time to time we have discovered defects or errors in our products. In addition, because changes in laws and regulatory standards applying to employers are frequent, we may discover limitations or defects and errors in our software and service processes in the normal course of business compared against these requirements and practices. Material performance problems or defects in our products and services might arise in the future, which could have an adverse impact on our business and customer relationship and subject us to claims. Limitations or any failure by us to identify and address defects and errors could result in delays in product introductions and updates, loss of revenue or market share, liability to customers or others, failure to achieve market acceptance or expansion, diversion of development and other resources, injury to our reputation, and increased service and maintenance costs. Limitations, defects or errors in our product or service processes might discourage existing or potential customers from purchasing from us. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors or in responding to resulting claims or liability might be substantial and could adversely affect our operating results. Because of the large amount of data that we collect and manage, it is possible that errors in our systems could result in data loss or data corruption, or the information that we collect being incomplete or containing inaccuracies that our customers, their employees and taxing and other regulatory authorities regard as significant. The costs incurred in correcting any errors or in responding to regulatory authorities or to resulting claims or liability might be substantial and could adversely affect our operating results. Our business depends in part on the success of our relationships with third parties. We rely on third- party couriers, financial and accounting processing systems, and various financial institutions, to deliver payroll checks and tax forms, perform financial services in connection with our applications, such as providing ACH and wire transfers as part of our payroll and tax payment services, and to provide technology and content support, manufacture time clocks, and process background checks. We anticipate that we will continue to depend on various third- party relationships to grow our business, provide technology and content support, manufacture time clocks, process background checks, and deliver payroll checks and tax forms. Identifying, negotiating, and documenting relationships with these third parties and integrating third- party content and technology requires considerable time and resources. Our agreements with third parties typically are non- exclusive and do not prohibit them from working with our competitors. In addition, these third parties may not perform as expected under our agreements, and we may have disagreements or disputes with such third parties, which could negatively affect our brand and reputation. A global economic slowdown or recession could also adversely affect the businesses of our third- party providers, hindering their ability to provide the services on which we rely. Further, a disruption of the Federal Reserve Bank' s services, including ACH processing, could negatively affect our payroll and expense reimbursement services by delaying direct deposits and other financial transactions across the United States. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to grow our revenues could be impaired, and our business, operating results, or financial condition could be adversely affected. Even if we are successful, these relationships may not result in improved operating results. Our financial results may continue to fluctuate due to many factors, some of which may be beyond our control. Our results of operations, including our revenues, costs of revenues, administrative expenses, operating income, cash flow, and deferred revenue, may vary significantly in the future, and the results of any one period should not be relied upon as an indication of future performance. Fluctuations in our financial results may negatively impact the value of our common stock. Our financial results may fluctuate because of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Factors that may cause our financial results to fluctuate from period to period include, without limitation: • Our ability to attract new customers or sell additional applications to our existing customers. • The development and maturation of the market for cloud- based HCM and payroll software among SMBs. • The number of new customers and their employees, as compared to the number of existing customers and their employees in a particular period. • The mix of customers between small and mid- sized organizations. • The extent to which we retain existing customers and the expansion or contraction of our relationships with them. • The mix of applications sold during a period. • Changes in our pricing policies or those of our competitors. • Seasonal factors affecting payroll processing, demand for our applications, or potential customers' purchasing decisions. • The amount and timing of operating expenses, including those related to the maintenance and expansion of our business, operations, and infrastructure. • The timing and success of new applications introduced by us and the timing of expenses related to the development of new applications and technologies. • The timing and success of current and new competitive products and services offered by our competitors. • Economic conditions affecting our customers, including their ability to outsource HCM solutions and hire employees. • Business disruptions caused by the rapid spread of contagious disease, including pandemics such as the COVID- 19 pandemic, or armed conflicts, including Russia' s actions in Ukraine and the resulting geopolitical instability. • Changes in laws, regulations, or policies affecting our customers' legal obligations and, as a result, demand for certain applications. • Changes in trade, monetary and fiscal policies and other political and economic conditions, including government shutdowns. • Credit market constriction or volatility. • Changes in the competitive dynamics of our industry, including consolidation among competitors or customers. • Our ability to manage our existing business and future growth, including expenses related to our data centers, and the expansion of such data centers and the addition of new offices. • The effects and expenses of acquisition of third- party technologies or businesses and any potential future charges for impairment of goodwill resulting from those acquisitions. • Inclement weather or natural disasters, including but not limited to tornadoes, hurricanes, fires, earthquakes, and floods. • Network outages or security breaches. • General economic, industry, and market conditions. • Other factors described in this " Risk Factors " section. Our number of new customers typically increases more during our third fiscal quarter ending March 31 than during the rest of our fiscal year, primarily because many new customers prefer to start using our payroll or HCM solutions at the beginning of a calendar year. In addition, client funds and year- end activities are traditionally higher during our third fiscal quarter. We have a history of losses and may not achieve or maintain profitability in the future. We incurred losses from operations of $ **104. 7 million and $** 139. 6 ~~million and $ 89. 3~~ million in the fiscal years ended June 30, **2023 and** 2022 ~~and 2021~~, respectively. We must generate and sustain higher revenue levels in future periods to become profitable, and, even if we do, we may not be able to maintain or increase our profitability. We expect to continue to incur losses for the foreseeable future as we expend substantial financial and other resources on, among other things: • Sales and marketing, including expanding our direct sales team. • Investments in the development of new products and new features for, and enhancement of, our existing products. • Expansion of our operations and infrastructure organically and through acquisitions and strategic partnerships, both domestically and internationally. • General administration, including legal, risk management, accounting, and other expenses related to being a public company. These expenditures may not result in additional revenue or the growth of our business. Accordingly, we may not be able to generate sufficient revenue to offset our expected cost increases and achieve and sustain profitability. If we fail to achieve and sustain profitability, the market price of our common stock could decline. If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings. We are required to test goodwill for impairment at least annually or earlier if events or changes in circumstances indicate the carrying value may not be recoverable. As of June 30, ~~2022~~ **2023**, we had recorded a total of $ ~~750~~ **767**. ~~2~~ **7** million of goodwill and $ ~~263~~ **260**. ~~1~~ **5** million of other intangible assets. An adverse change in domestic or global market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates made in connection with the impairment testing of goodwill or intangible assets, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or other intangible assets. Any such material charges may have a negative impact on our operating results or financial condition. Corporate investments and client funds that we hold are subject to market, interest rate, credit, and liquidity risks. The loss of these funds could have an adverse impact on our business. We invest portions of excess cash and cash equivalents and funds held for customers in liquid, investment- grade marketable securities such as corporate bonds, commercial paper, asset- backed securities, U. S. treasury securities, money market securities, and other cash equivalents. We follow an established investment policy and set of guidelines to monitor and help mitigate our exposure to liquidity and credit risks. Nevertheless, our corporate investments and client fund assets are subject to general market, interest rate, credit, and liquidity risks. These risks may be exacerbated, individually or in unison, during periods of unusual financial market volatility as has been, and may continue to be, experienced because of the COVID- 19 pandemic **, and more recently, when certain potential vulnerabilities and systemic risk in the banking and financial services sector were identified following the FDIC' s receivership of Silicon Valley Bank**. Any loss of or inability to access our corporate investments or client funds could have adverse impacts on our business, results of operations, financial condition, and liquidity. Our estimates of certain operational metrics, as well as of total addressable market and market growth, are subject to inherent challenges in measurement. We make certain estimates with regard to certain operational metrics which we track using internal systems that are not independently verified by any third- party. While the metrics presented in this report are based on what we believe to be reasonable assumptions and estimates, our internal systems have a number of limitations, and our methodologies for tracking these metrics may change over time. Additionally, total addressable market and growth estimates are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Our estimates relating to size and expected growth of our market may prove to be inaccurate. Even if the market in which we compete meets our size and growth estimates, our business could fail to grow at similar rates. If investors do not perceive our estimates of total addressable market and market growth or our operational metrics to be accurate, or if we discover material inaccuracies with respect to these figures, our reputation may be significantly harmed, and our results of operations and financial condition could be adversely affected. The markets in which we operate are highly competitive, and if we do not compete effectively, our operating results could be adversely affected. The market for HCM and payroll solutions is fragmented, highly competitive, and rapidly changing. Our competitors may develop products that are superior to our products or achieve greater market acceptance. We may be unable to compete successfully against current or future competitors. With the introduction of new technologies and market entrants, competition could intensify in the future. We believe the principal competitive factors in our market include breadth and depth of product functionality, scalability and reliability of applications, modern and innovative cloud technology platforms combined with an intuitive user experience, multi- country and jurisdiction domain expertise in HCM and payroll, quality of implementation and customer service, integration with a wide variety of third- party applications and systems, total cost of ownership and return on investment, brand awareness, reputation, pricing, and distribution. We face a variety of competitors, some of which are long- established providers of HCM solutions. Several of our competitors are larger, have greater name recognition, longer operating histories, and significantly greater resources than we do. Many of these competitors can devote greater resources to the development, promotion, and sale of their products and services. Furthermore, our current or potential competitors may be acquired by third parties with greater available resources and the ability to initiate or withstand substantial price competition, which may include price concessions, delayed payment terms, or other terms and conditions that are more enticing to potential customers. As a result, our competitors may be able to develop products and services better received by our markets, or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations, or customer requirements. In order to capitalize on customer demand for cloud applications, legacy vendors are modernizing and expanding their applications through cloud acquisitions and organic development. Legacy vendors may also seek to partner with other leading cloud HCM providers. We also face competition from vendors selling custom software and point solutions. Our competitors vary for each of our solutions and primarily include payroll and HR service and software providers, such as Automatic Data Processing, Inc., Paychex, Inc., Paycom Software, Inc., Paylocity Holding Corp., Ultimate Software Group, Inc. and other local and regional providers. In addition, other companies, such as NetSuite, Inc. and Microsoft Corporation, that provide cloud applications in different target markets, may develop applications or acquire companies that operate in our target markets, and some potential customers may elect to develop their own internal applications. Our competitors could offer HCM solutions on a standalone basis or bundled as part of a larger product sale. In addition, current and potential competitors have established, and might in the future establish, partner, or form other cooperative relationships with vendors of complementary products, technologies, or services to enable them to offer new products and services, to compete more effectively or to increase the availability of their products in the marketplace. New competitors or relationships might emerge that have greater market share, a larger customer base, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources, and larger sales forces than we have, which could put us at a competitive disadvantage. Considering these advantages, current or potential customers might accept competitive product offerings in lieu of purchasing our offerings. We expect intense competition to continue for these reasons, and such competition could negatively impact our sales, profitability, or market share. If our competitors' products, services, or technologies become more accepted than our applications, if they are successful in bringing their products or services to market earlier than ours, or if their products or services are more technologically capable than ours, it could have a material adverse effect on our business, financial condition, and results of operations. In addition, some of our competitors may offer their products and services at a lower price. If we are unable to achieve our target pricing levels or if we experience significant pricing pressures, it could have a material adverse effect on our business, financial condition, and results of operations. We may be adversely affected by the ~~evolving nature and continuing impacts of the COVID- 19 pandemic, including~~ ongoing effects of inflation, supply chain disruption ~~and~~ **,** labor shortages **and other adverse macroeconomic conditions** in the markets in which we and our customers operate. ~~The extent to which the COVID- 19 pandemic impacts our business, operations, and financial results is uncertain and subject to political, social, economic, and regulatory factors that are outside of our control, including the duration of the pandemic; emerging information concerning the severity and incidence of the virus and its variants; the emergence of additional virus variants or resurgences of the virus globally; the rate at which the population globally becomes vaccinated against COVID- 19; the development and availability of antiviral therapeutic alternatives; and continued political and social debate relating to the public health response to the pandemic. Further, the COVID- 19 pandemic has caused, and may continue to cause, negative~~ **Negative** ~~impacts on~~ macroeconomic conditions, **such as** ~~including inflation,~~ supply chain disruptions ~~and~~ **,** labor shortages, ~~which in turn~~ **extended periods of inflation and rising interest rates** , ~~could result in a recession in the United States or in the global economy. Macroeconomic impacts related to the COVID- 19 pandemic~~ are expected to continue to pose risks to our and our customers' businesses for the foreseeable future **. It is also possible that fiscal or monetary policies adopted in an attempt to curtail the broadening or protracted extension of these negative conditions could lead to an economic downturn or cause a recession in the U. S. or global economy. Further** , ~~heightened~~ **recent bank failures and the follow- on effects of those events may cause instability in the banking industry or result in failures at other banks or financial institutions to which we or our customers may face direct or indirect exposure. If a significant number of our customers are unable to continue as viable businesses or if they significantly reduce headcount in response to these conditions; we or our customers are unable (temporarily or otherwise) to access deposits or utilize existing sources of liquidity; there is a reduction in business confidence and activity, a decrease in government and consumer spending, a decrease in HCM and payroll solutions spending** by **SMBs** ~~many of the risks and uncertainties identified above~~ , **or** ~~and could have~~ a ~~materially adverse impact on~~ **decrease in overall domestic production or consumption of goods and services more generally,** our business, financial condition, and results of operations **could be materially and adversely impacted** . We may be adversely impacted by an economic **downturn** ~~slowdown,~~ or a recession **in the U. S. or global economy** . If an economic ~~slowdown~~ **downturn** or recession emerges **, including for the reasons identified above** , we may experience declines in revenues, profitability and cash flows from lower customer demand, including as a result of customer workforce reductions, payment delays, collection difficulties, increased pricing pressures and other factors caused by the impact of adverse economic conditions on our customers. Although we believe that our cash flows from operations and available borrowing capacity under our credit facility will provide us with sufficient liquidity, adverse conditions in the financial and credit markets, lower consumer confidence and spending, inflation, higher labor, healthcare, and insurance costs, fluctuating fuel and commodities costs and their effects on the U. S. and global economies and markets are all examples of negative factors, which could cause customers to delay or forgo expansion of our solutions. These economic conditions may also reduce our customers' operating budgets or ability to commit funds to purchase our solutions or renew their existing contracts with us. If an economic recession is followed by a slow and relatively weak recovery, the effects from a broadening or protracted extension of these negative economic conditions on our customers could have a significant adverse effect on our revenues, cash flows and results of operations ~~. In the event of a catastrophe, our business continuity plan may fail, which could result in the loss of customer data and adversely interrupt operations. Our operations are dependent on our ability to protect our infrastructure against damage from catastrophe or natural disaster, severe weather, including events resulting from climate change, unauthorized security breach, power loss, telecommunications failure, terrorist attack, public health emergency, or other events that could have a significant disruptive effect on our operations. We have customer service and sales associates based in or near Jacksonville, Florida, an area that has experienced hurricanes and that routinely faces a threat from hurricanes during the late Summer and early Fall months. We have a business continuity plan in place in the event of system failure due to any of these events. Our business continuity plan has been tested in the past by circumstances of severe weather, including hurricanes, floods, and snowstorms, and has been successful. However, these past successes are not an indicator of success in the future. If the business continuity plan is unsuccessful in a disaster recovery scenario, we could potentially lose customer data or experience material adverse interruptions to our operations, or delivery of services to our customers~~ . Risks Relating to Information Technology Systems and Intellectual Property Any damage, failure, or disruption of our SaaS delivery model, data centers, or our third- party providers' services, could impair our ability to effectively provide our solutions, harm our reputation, and adversely affect our business. Our SaaS delivery model is a critical part of our business operations. Our customers access our solutions and are served through our cloud- based platform including data centers located in Lebanon, Ohio and Lombard, Illinois. We also have agreements with Microsoft Azure and Amazon Web Services for externally hosted cloud computing services. Our SaaS delivery model and data centers, as well as externally hosted cloud services, are vulnerable to damage, failure, and disruption. Furthermore, our payroll **processing** module is essential to our customers' timely payment of wages to their employees **and other required payments to taxing and other regulatory authorities** . Any interruption in our service may affect the availability, accuracy, or timeliness of these programs and could damage our reputation, cause our customers to terminate their relationship with us, or prevent us from gaining additional business from current or future customers. In the future, we may experience issues **or interruption** with our **service delivery** platform caused by the following factors: • Human error. • Telecommunications failures or outages from third- party providers. • Computer viruses, cyber- attacks or other security breaches. • Acts of terrorism, sabotage, intentional acts of vandalism, or other misconduct. • Tornadoes, fires, earthquakes, hurricanes, floods, and other natural disasters. • Power loss. • Other unforeseen interruptions or damages. If our SaaS delivery model or our customers' ability to access our platform is interrupted, customer and employee data may be **temporarily or** permanently lost, and we could be exposed to significant claims by customers, particularly if the access interruption is associated with problems in the timely delivery of funds payable to employees **or taxing and other regulatory authorities** . Further, any adverse changes in service levels at our data centers resulting from damage to or failure of such centers could result in disruptions in our services. We also may decide to employ additional offsite data centers in the future to accommodate **anticipated** growth. Problems faced by our data center locations (such as a hardware failure or shortage or other supply chain disruption ~~resulting from the COVID- 19 pandemic~~) ~~,~~ **and / or** with the telecommunications network providers with whom we contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the availability and processing of our solutions and related services and the experience of our customers. If our data centers are unable to keep up with our growing needs for capacity, this could have an adverse effect on our business and cause us to incur additional expense. Further, any significant instances of system downtime or performance problems at our data centers could negatively affect our reputation and ability to attract new customers, prevent us from gaining new or additional business from our current customers, or cause our current customers to terminate their use of our solutions, any of which would adversely impact our revenues. In addition, if our cloud- based infrastructure and data centers fail to support increased capacity due to growth in our business, our customers may experience interruptions in the availability of our solutions. Such interruptions may reduce our revenues, cause us to issue refunds to customers, or adversely affect our retention of existing customers, any of which could have a negative impact on our business, operating results, or financial condition. In addition, our third- party providers have experienced, and may in the future experience, security breaches, service interruptions or delays, and performance degradation in their services. For example, Microsoft has employed changes in their Azure environment that have impacted us. The Microsoft Azure changes created unavailability of their applications for a period of time that reduced our employees' productivity and effectiveness ~~,~~ and resulted in service disruptions. Despite precautions our third- party providers may take, security breaches, outages, delays, or impact to computing performance in third- party provider services could also harm our business. If we fail to adequately protect our proprietary rights, our competitive advantage could be impaired, and we may lose valuable assets, generate reduced revenues, or incur costly litigation to protect our rights. Our success is dependent in part upon our intellectual property. We rely on a combination of copyrights, trademarks, service marks, trade secret, and other intellectual property laws and contractual provisions to establish and to protect our intellectual property and other proprietary rights. However, the steps we take to protect our intellectual property and other proprietary rights may be inadequate. We will not be able to protect our intellectual property and other proprietary rights if we are unable to enforce our rights, or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to copy our applications and use information that we regard as proprietary to create products or services that compete with ours. We may be required to spend significant resources to monitor and protect our intellectual property and other proprietary rights. Litigation may be necessary in the future to defend, protect, and enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time- consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. We may not be able to secure, protect and enforce our intellectual property rights or control access to, or the distribution of, our solutions and proprietary information, which could adversely affect our business. A failure to protect our intellectual property or other proprietary rights could adversely affect our business, financial condition, and results of operations. The use of open source software in our applications may expose us to additional risks and harm our intellectual property rights. We have in the past and may in the future continue to incorporate certain " open source " software into our codebase and our solutions. Open source software is generally licensed by its authors or other third parties under open source licenses, which typically do not provide for any representations, warranties, or indemnity coverage by the licensor. Some of these licenses provide that combinations of open source software with a licensee' s proprietary software is subject to the open source license and require that the combination be made available to third parties in source code form or at no cost. Some open source licenses may also require the licensee to grant licenses under certain of its intellectual property to third parties. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate such software into their products or applications. The terms of various open source licenses have not been interpreted by courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our use of open source software. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition, or require us to devote additional development resources to change our applications. In addition, if we were to combine our applications with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our applications. If we inappropriately use open source software, we may be required to redesign our applications, discontinue the sale of our solutions, or take other remedial actions, which could adversely impact our business, operating results, or financial condition. We may be sued by third parties for alleged infringement of their proprietary rights. There is patent and other intellectual property development activity in our industry. We cannot guarantee that the operation of our business does not infringe upon the intellectual property rights of others. Our competitors, as well as other entities or individuals, may own or claim to own intellectual property relevant to our industry. In the future, others may claim that our solutions and underlying technology infringe or violate their intellectual property rights. However, we may be unaware of the intellectual property rights that others may claim cover some or all our products. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages, settlement costs or royalty payments, indemnify our customers or business partners or refund fees, obtain licenses, prevent us from offering or require us to modify our products, services, applications, or technology, or require that we comply with other unfavorable terms. Even if we were to prevail in such a dispute, any litigation or dispute regarding our intellectual property could be costly and time- consuming, and divert the attention of our management and key personnel from our business operations. Risks Relating to Regulation and Litigation Customers depend on our products and services to enable them to comply with applicable laws, which requires us and our third- party providers to constantly monitor applicable laws and to make applicable changes to our solutions; if our solutions have not been updated to enable the customer to comply with applicable laws or we fail to update our solutions on a timely basis, it could have a material adverse effect on our business, financial condition, and results of operations. Customers rely on our solutions to enable them to comply with payroll, HR, and other applicable laws for which the solutions are intended for use. Changes in tax, benefits, and other laws and regulations could require us to make significant modifications to our products or to delay or to cease sales of certain products, which could result in reduced revenues or revenue growth, and incurring substantial expenses, and write- offs. There are thousands of jurisdictions in the United States and multiple laws in some or all such jurisdictions, which may be relevant to the solutions that we or our third- party providers provide to our customers. Therefore, we and our third- party providers must monitor all applicable laws and as such laws expand, evolve, or are amended in any way, and when new regulations or laws are implemented, we may be required to modify our solutions to enable our customers to comply, which requires an investment of our time and resources. Although we believe that our software delivery model provides us with flexibility to release updates in response to these changes, we cannot be certain that we will be able to make the necessary changes to our solutions and release updates on a timely basis, or at all. In addition, we are reliant on our third- party providers to modify the solutions that they provide to our customers as part of our solutions to comply with changes to such laws and regulations. The number of laws and regulations that we are required to monitor will increase as we expand the geographic region in which the solutions are offered or as we expand to focus on different industry verticals. When a law changes, we must then test our solutions to meet the requirements necessary to enable our customers to comply with the new law. If our solutions fail to enable a customer to comply with applicable laws, we could be subject to negative customer experiences, harm to our reputation, loss of customers, claims for any fines, penalties, or other damages suffered by our customer, and other financial harm. Additionally, the costs associated with such monitoring implementation of changes are significant. If our solutions do not enable our customers to comply with applicable laws and regulations, it could have a material adverse effect on our business, financial condition, and results of operations. Additionally, certain of our current and future product offerings may be subject to the broad regulatory, supervisory, and enforcement powers of the Consumer Financial Protection Bureau or state- level consumer financial protection agencies, which may exercise authority with respect to such products, or the marketing and servicing of those products, through the oversight of commercial partners, or by otherwise exercising its supervisory, regulatory, or enforcement authority over consumer financial products and services. Additionally, if we fail to make any changes to our products as described herein, which are required because of such changes to, or enactment of, any applicable laws in a timely fashion, we could be responsible for fines and penalties implemented by governmental and regulatory bodies. If we fail to provide contracted services, such as processing W- 2 tax forms or remitting taxes in accordance with deadlines set by law, our customers could incur fines, penalties, interest, or other damages, which our customers could claim we are responsible for paying. Our payment of fines, penalties, interest, or other damages because of our failure to provide compliance services prior to deadlines may have a material adverse effect on our business, financial condition, and results of operations. Changes in laws, regulations, or requirements applicable to our software and services could impose increased costs on us, delay or prevent our introduction of new products and services, or impair the function or value of our existing products and services. Our products and services may become subject to increasing regulatory requirements, and as these requirements proliferate, we may be required to change or adapt our products and services to comply. Changing regulatory requirements might render our products and services obsolete or might block us from developing new products and services. This might in turn impose additional costs upon us to comply or to further develop our products and services. It might also make introduction of new products and services more costly or more time- consuming than we currently anticipate. It might even prevent introduction by us of new products or services or cause the continuation of our existing products or services to become more costly. For example, the adoption of new money transmitter or money services business statutes in jurisdictions or changes in regulators' interpretation of existing state and federal money transmitter or money services business statutes or regulations, could subject us to registration or licensing, or limit business activities, cause us to enter into relationships with one or more third parties for payment services until we are appropriately licensed. These occurrences could also require changes to the manner in which we conduct some aspects of our business or invest client funds, which could adversely impact interest income from investing client funds. We have in the past entered into relationships with a third- party in a state due to the interpretation of such state' s money transmitter license requirements. Should any state or federal regulators make a determination that we have operated as an unlicensed money services business or money transmitter, we could be subject to civil and criminal fines, penalties, costs, legal fees, reputational damage, or other negative consequences. In addition, if the ACA is repealed or modified in whole or in part, or if implementation of certain aspects of the ACA is delayed, such repeal, modification, or delay could adversely impact the revenue we currently generate from our ACA compliance solution as well as overall gross margins. Any of these regulatory implementations or changes could have an adverse effect on our business, operating results, or financial condition. Privacy laws or other regulations may reduce the effectiveness of our applications. Our products and services are subject to various complex laws and regulations on the federal, state, and local levels, including those governing data security and privacy, which have become significant issues globally. The regulatory framework for privacy issues is rapidly evolving and is likely to remain uncertain and inconsistently enforced for the foreseeable future. Many federal, state, and foreign governmental bodies and agencies have adopted or are considering adopting laws and regulations regarding the creation, collection, receipt, processing, handling, maintenance, storage, use, disclosure, and transmission of personal data and other sensitive information. In the United States, these include rules and regulations promulgated under the authority of the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, the Family Medical Leave Act of 1993, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, federal and state labor and employment laws, state data breach notification laws, and state privacy laws, such as the California Consumer Privacy Act (the " CCPA ") and the Illinois Biometric Information Privacy Act (the " IBIPA "). The CCPA went into effect on January 1, 2020 and established a new privacy framework for covered businesses such as ours, which may require us to modify our data processing practices and policies. The CCPA imposes severe statutory damages and provides consumers with a private right of action for certain data breaches. Further, in November 2020, California voters passed the California Privacy Rights and Enforcement Act (" CPRA "), which expands the CCPA with additional data privacy compliance requirements that may impact our business, and establishes a regulatory agency dedicated to enforcing those requirements. It remains unclear how various provisions of the CCPA and CPRA will be interpreted and enforced. The IBIPA regulates the collection, use, safeguarding, and storage of " biometric identifiers " or " biometric information " by companies such as ours. IBIPA includes a private right of action for persons who are aggrieved by violations of the IBIPA. Even in circumstances where we do not believe a regulation applies to our activities, we may still be the subject of lawsuits alleging a regulation does apply. We are currently a defendant in three lawsuits, two in Illinois state court, and one in federal court in the Southern District of Illinois, related to the IBIPA. Each alleges that the Company violated IBIPA by failing to provide adequate notices and obtain consent from users of timekeeping devices that use handprint and / or fingerprint scanning for employee timekeeping. We do not believe IBIPA applies to the Company as alleged in the complaints and strenuously deny these claims. ~~In the two state court cases, we made a motion to dismiss the action, which was denied by the court. The cases are currently in discovery and we have filed a motion for summary judgment, which is pending. The federal court lawsuit was recently stayed by the court.~~ While adverse results in these lawsuits may include awards of substantial monetary damages, we believe it is too early to determine the possibility of liability and have not accrued any potential or estimated liabilities relating to these matters. Further, because some of our customers have establishments in the European Union (" EU ") or otherwise process the personal data of EU residents, the GDPR 2016 / 679 may apply to our processing of certain customer and employee information. The GDPR went into effect on May 25, 2018 and has resulted in and will continue to result in significantly greater compliance burdens and costs for companies like us. Any data security breach could require notifications to the data subject and / or owners under federal, U. S., U. S. state, and / or international data breach notification laws and regulations. The effects of the CCPA, CPRA, IBIPA, GDPR and other U. S. state, U. S. federal, and international laws and regulations that are currently in effect or that may go into effect in the future, are significant and may require us to modify our data processing practices and policies and to incur substantial costs and potential liability in an effort to comply with such laws and regulations. Any actual or perceived failure to comply with these and other data protection and privacy laws and regulations could result in regulatory scrutiny and increased exposure to the risk of litigation or the imposition of consent orders, resolution agreements, requirements to take particular actions with respect to training, policies or other activities, and civil and criminal penalties, including fines, which could have an adverse effect on our results of operations or financial condition. Moreover, allegations of non- compliance, whether or not true, could be costly, time consuming, distracting to management, and cause reputational harm. In addition to government regulation, privacy advocates, and industry groups may propose new and different self- regulatory standards. Because the interpretation and application of privacy and data protection laws are still uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our solutions. Any failure to comply with government laws or regulations that apply to our applications, including privacy and data protection laws, could subject us to liability. In addition to the possibility of fines, lawsuits, and other claims, we could be required to fundamentally change our business activities and practices or modify our solutions, which could have an adverse effect on our business, operating results, or financial condition. Any actual or perceived inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations, standards, and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business, operating results, or financial condition. Furthermore, privacy concerns may cause our customers' employees to resist providing the personal data necessary to allow our customers and their employees to use our applications effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our applications in certain industries. All these legislative and regulatory initiatives may adversely affect our ability, or our customers to create, collect, receive, process, handle, maintain, store, transmit, use, or disclose demographic and personal data from their employees, which could reduce demand for our solutions **. Certain of our products and services use data- driven insights to help our clients manage their businesses more efficiently. Further, our ability to provide data- driven insights using AI or machine learning may also be constrained by current or future regulatory requirements, statutes or ethical considerations that could restrict or impose burdensome and costly requirements on our ability to leverage data in innovative ways** . Adverse tax laws or regulations could be enacted, or existing laws could be applied in a manner adverse to us or our customers, which could increase the costs of our solutions and applications and could adversely affect our business, operating results, or financial condition. As a vendor of services, we are ordinarily held responsible by taxing authorities for collecting and paying any applicable sales, use or other taxes. Additionally, the application of federal, state, and local tax laws to services provided electronically like ours is evolving. New income, sales, use, or other tax laws, statutes, rules, regulations, or ordinances could be enacted at any time (possibly with retroactive effect), and could be applied solely or disproportionately to services and applications provided over the internet. These enactments could adversely affect our sales activity, due to the inherent cost increase the taxes would represent, and could adversely affect our business, operating results, or financial condition. Each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that change over time. We review these rules and regulations periodically and, when we believe we are subject to sales and use taxes in a particular state, we may voluntarily engage state tax authorities in order to determine how to comply with that state' s rules and regulations. We cannot ensure that we will not be subject to sales and use taxes or related penalties for past sales in states where we currently believe no such taxes are required. In addition, existing tax laws, statutes, rules, regulations, or ordinances could be interpreted, changed, modified, or applied adversely to us (possibly with retroactive effect), which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties and substantial interest for past amounts. If we are unsuccessful in collecting such taxes from our customers, we could be held liable for such costs, thereby adversely affecting our business, operating results, or financial condition. Additionally, the imposition of such taxes on us would effectively increase the cost of our software and services we provide to customers and would likely have a negative impact on our ability to retain existing customers or to gain new customers in the jurisdictions in which such taxes are imposed. We are involved in litigation from time to time arising from the operation of our business and, as such, we could incur substantial judgments, fines, legal fees or other costs. We are sometimes the subject of complaints or litigation from customers, employees, or other third parties for various actions. For example, customers use our products in connection with the preparation and filing of tax returns and other regulatory reports. If any of our products contain errors that produce inaccurate results upon which users rely, or cause users to misfile or fail to file required information, we could be subject to liability claims from users. Our cloud and maintenance renewal agreements with our customers typically contain provisions intended to limit our exposure to such claims, but such provisions may not be effective in limiting our exposure. Contractual limitations we use may not be enforceable and may not provide us with adequate protection against product liability claims in certain jurisdictions. A successful claim for product or service liability brought against us could result in substantial cost to us and divert management' s attention from our operations. We are also, from time to time, involved in litigation involving claims related to, among other things, breach of contract, tortious conduct, data security and privacy matters, intellectual property matters and employment and labor law matters. The damages sought against us in some of these litigation proceedings could be substantial. Although we maintain liability insurance for some litigation claims, if one or more of the claims were to greatly exceed our insurance coverage limits or if our insurance policies do not cover a claim, this could have a material adverse effect on our business, financial condition, results of operations and cash flows. Our business and reputation may be adversely impacted if we fail to comply with anti- corruption laws and regulations, economic and trade sanctions, anti- money laundering laws and regulations, and similar laws. We are subject to the Foreign Corrupt Practices Act and other similar laws and regulations concerning bribery and corruption, which prohibit improper payments or offers of payments to government officials and politicians, and in some cases, to other persons, for the purpose of obtaining or retaining business. We are also required to comply with the economic sanctions and embargo programs administered by the Office of Foreign Assets Control of the U. S. Department of the Treasury and similar governmental agencies and multi- national bodies worldwide, which prohibit or restrict transactions or dealings with specified countries, their governments and, in certain circumstances, their nationals, and with individuals and entities that are designated by these authorities. In addition, some of our businesses and entities are subject to anti- money laundering laws and regulations, including, for example, The Bank Secrecy Act of 1970, as amended. As we seek to expand our international operations, we may face additional risks in regards to compliance with foreign laws and regulations related to economic sanctions, anti- corruption, and anti- money- laundering. A violation of any applicable anti- corruption laws or regulations, sanctions or embargo programs, or anti- money laundering laws or regulations, could subject us, and individual employees, to a regulatory enforcement action as well as significant civil and criminal penalties which could adversely impact our business and operations and our reputation. Risks Relating to Our Indebtedness Our level of indebtedness may increase and adversely affect our business, growth prospects, and financial condition, as well as our ability to raise additional capital on favorable terms, which could, in turn, hinder our ability to expand our operations and invest in our business and new technologies. As of June 30, ~~2022~~ **2023** , we had no outstanding debt and $ 200. 0 million of borrowing capacity under our senior secured revolving credit facility (see Note 9 to our ~~consolidated~~ **Consolidated** ~~financial~~ **Financial** ~~statements~~ **Statements - " Debt Agreements and Letters of Credit "**). To the extent that our cash flows from operations are not sufficient to meet our current and future financial obligations, including funding our operations and capital expenditures, our level of indebtedness may increase from time to time. Borrowings under the credit facility are secured by first- priority perfected security interests in substantially all of our assets and the assets of our domestic subsidiaries, subject to permitted liens and other exceptions. In addition, the agreement under which the credit facility is provided to us contains affirmative and negative financial covenants and other restrictions and limitations that could have important consequences to us, including restricting our ability to pursue significant business opportunities and to engage in other actions that we may believe are advisable or necessary for our business. The breach of any of these covenants or restrictions could result in a default under our credit agreements that would permit the applicable lenders to declare all amounts outstanding thereunder to be due and payable, together with accrued and unpaid interest. If we are unable to repay our debt, creditors would have the right to proceed against the collateral securing the debt. In any such case, we may be unable to borrow under our credit facility and may not be able to repay the amounts due. This could have serious consequences to our business, financial condition and results of operations and could cause us to become bankrupt or insolvent. Although the credit agreement contains restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of additional indebtedness and liens we may be permitted to incur in compliance with these restrictions could be substantial. Incurring substantial additional indebtedness could further exacerbate the risks associated with our level of indebtedness. Our ability to make scheduled payments or to refinance our outstanding debt obligations depends on our financial and operating performance, which is subject to prevailing economic, industry and competitive conditions and to certain financial, business, economic, and other factors beyond our control, including those discussed under " Risks Related to Our Business, Products, and Operations " above. Additionally, fluctuations in interest rates could increase our borrowing costs. Increases in interest rates may directly impact the amount of interest we are required to pay and reduce earnings accordingly. We may not be able to maintain a sufficient level of cash flow from operating activities to permit us to pay the principal, premium, if any, and interest on any outstanding indebtedness. Any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which would also harm our ability to incur additional indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or seek to restructure or refinance our indebtedness. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such cash flows and resources, we could face substantial liquidity problems and may be required to sell material assets or operations to attempt to meet our debt service obligations. We may not be able to consummate these asset sales to raise capital or sell assets at prices and on terms that we believe are fair and any proceeds that we do receive may not be adequate to meet any debt service obligations then due. If we cannot meet our debt service obligations, the holders of our indebtedness may accelerate such indebtedness and, to the extent such indebtedness is secured, foreclose on our assets. In such an event, we may not have sufficient assets to repay all of our indebtedness. If we need to raise additional capital, we may not be able to obtain additional debt or equity financing on favorable terms or at all. If we engage in additional debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios, or restrict our ability to pay dividends or make acquisitions, or other investments. If we issue additional equity, our security holders may experience significant dilution of their ownership interests. If we need additional capital and cannot raise it on acceptable terms, or at all, we may not be able to, among other things: • Develop and enhance our products and solutions. • Continue to expand our product development, sales, and marketing organizations. • Hire, train, and retain employees. • Respond to competitive pressures or unanticipated working capital requirements. • Pursue acquisition opportunities. If our ability to expand our operations and invest in our business and new technologies is hindered, our ability to compete successfully could be reduced, which, in turn, could have an adverse effect on our business and results of operations. Risks Relating to Our Common Stock Apax Partners controls us, and its interests may conflict with ours or yours in the future. Apax Partners beneficially owned approximately ~~127~~ **112** , ~~357~~ **179** , ~~193~~ **392** shares of our common stock, or ~~72~~ **63** . ~~5~~ **4** % at ~~August 19~~ **July 31** , ~~2022~~ **2023** . This significant concentration of ownership may adversely affect the trading price for our common stock because investors often perceive disadvantages in owning stock in companies with controlling stockholders. In addition, these stockholders will be able to exercise influence over all matters requiring stockholder approval, including the election of directors and approval of corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit the ability of our other stockholders to influence corporate matters and may have the effect of delaying or preventing a change in control, including a merger, consolidation, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control, even if that change in control would benefit our other stockholders. In addition, we have entered into a Director Nomination Agreement with Apax Partners that provides Apax Partners the right to designate: (i) all of the nominees for election to our Board for so long as it beneficially owns at least 40 % of the total number of shares of our common stock beneficially owned by it upon completion of our IPO (the " Original Amount "); (ii) 40 % of the nominees for election to our Board for so long as it beneficially owns less than 40 % but at least 30 % of the Original Amount; (iii) 30 % of the nominees for election to our Board for so long as it beneficially owns less than 30 % but at least 20 % of the Original Amount; (iv) 20 % of the nominees for election to our Board for so long as it beneficially owns less than 20 % but at least 10 % of the Original Amount; and (v) one of the nominees for election to our Board for so long as it beneficially owns at least 5 % of the Original Amount. Apax Partners may also assign such right to its affiliates. The Director Nomination Agreement also provides for certain consent rights for Apax Partners so long as it owns at least 5 % of the Original Amount, including for any increase to the size of our Board. Additionally, the Director Nomination Agreement also prohibits us from increasing or decreasing the size of our Board without the prior written consent of Apax Partners for so long as Apax Partners holds at least 5 % of the Original Amount. Apax Partners and its affiliates engage in a broad spectrum of activities, including investments in the software industry generally. In the ordinary course of their business activities, Apax Partners and its affiliates may engage in activities where their interests conflict with our interests or those of our other shareholders, such as investing in or advising businesses that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. Our certificate of incorporation that became effective in connection with the closing of our IPO provides that none of Apax Partners, any of its affiliates or any director who is not employed by us (including any non- employee director who serves as one of our officers in both his director and officer capacities) or its affiliates has any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. Apax Partners also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. In addition, Apax Partners may have an interest in pursuing acquisitions, divestitures, and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you. We are a " controlled company " within the meaning of Nasdaq rules of the and, as a result, we qualify for, and rely on, exemptions from certain corporate governance requirements. You do not have the same protections as those afforded to stockholders of companies that are subject to such governance requirements. Apax Partners, through its control of Pride Aggregator, controls a majority of the voting power of our outstanding common stock. As a result, we are a " controlled company " within the meaning of the corporate governance standards of the Nasdaq. Under these rules, a company of which more than 50 % of the voting power for the election of directors is held by an individual, group, or another company is a " controlled company " and may elect not to comply with certain corporate governance requirements, including: • The requirement that a majority of our Board consist of independent directors. • The requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities. • The requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee' s purpose and responsibilities. • The requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees. As a result, we do not have a majority of independent directors on our Board, our Compensation & Benefits Committee and our Governance Committee do not consist entirely of independent directors and our Compensation & Benefits and Nominating & Governance Committees are not subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq. There has been an active, liquid trading market for our common stock for only a short period of time, which may limit your ability to sell your shares. Our IPO ~~,~~ occurred in July 2021. Therefore, there has been a public market for our Class A common stock for a short period of time. Although we have listed our common stock on the Nasdaq under the symbol " PYCR ", an active trading market for our common stock may not be sustained. A public trading market having the desirable characteristics of depth, liquidity, and orderliness depends upon the existence of willing buyers and sellers at any given time, such existence being dependent upon the individual decisions of buyers and sellers over which neither we nor any market maker has control. The failure of an active and liquid trading market to develop and continue would likely have a material adverse effect on the value of our common stock. The market price of our common stock may decline and you may not be able to sell your shares of our common stock at the price you purchased it, or at all. An inactive market may also impair our ability to raise capital to continue to fund operations by issuing shares and may impair our ability to acquire other companies or technologies by using our shares as consideration ~~. We are an " emerging growth company " and have elected to comply with reduced public company reporting requirements, which could make our common stock less attractive to investors. We are an " emerging growth company, " as defined in the Jumpstart Our Business Startups (" JOBS ") Act. For as long as we continue to be an emerging growth company, we are eligible for certain exemptions from various public company reporting requirements. These exemptions include, but are not limited to, (i) not being required to comply with the auditor attestation requirements of Section 404 of Sarbanes- Oxley, (ii) reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements, and (iii) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following our IPO, with the fifth anniversary occurring in 2026. However, if certain events occur prior to the end of such five- year period, including if we become a " large accelerated filer, " our annual gross revenue exceeds $ 1. 07 billion or we issue more than $ 1. 0 billion of non- convertible debt in any three- year period, we would cease to be an emerging growth company prior to the end of such five- year period. We have made certain elections with regard to the reduced disclosure obligations regarding executive compensation and may elect to take advantage of other reduced disclosure obligations in future filings. As a result, the information that we provide to holders of our common stock may be different than you might receive from other public reporting companies in which you hold equity interests. We cannot predict if investors will find our common stock less attractive as a result of our~~

~~reliance on these exemptions. If some investors find our common stock less attractive as a result of any choice we make to reduce disclosure, there may be a less active trading market for our common stock and the market price for our common stock may be more volatile. In addition, Section 107 of the JOBS Act provides that an emerging growth company can use the extended transition period provided in Section 7 (a) (2) (B) of the Securities Act to delay adoption of new or revised accounting standards until such time as those standards apply to private companies. We have elected to " opt- in " to this extended transition period for complying with new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that comply with such new or revised accounting standards on a non- delayed basis. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates~~ . Provisions of our corporate governance documents could make an acquisition of us more difficult and may prevent attempts by our shareholders to replace or remove our current management, even if beneficial to our shareholders. In addition to Apax Partners' beneficial ownership, our certificate of incorporation and bylaws and the Delaware General Corporation Law (the " DGCL ") contain provisions that could make it more difficult for a third- party to acquire us, even if doing so might be beneficial to our shareholders. Among other things: • These provisions allow us to authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without shareholder approval, and which may include supermajority voting, special approval, dividend, or other rights or preferences superior to the rights of shareholders. • These provisions provide for a classified Board with staggered three- year terms. • These provisions provide that, at any time when Apax Partners beneficially owns, in the aggregate, less than 40 % in voting power of our stock entitled to vote generally in the election of directors, directors may only be removed for cause, and only by the affirmative vote of holders of at least 662 ⁄ 3 % in voting power of all the then- outstanding shares of our stock entitled to vote thereon, voting together as a single class. • These provisions prohibit shareholder action by written consent from and after the date on which Apax Partners beneficially owns, in the aggregate, less than 35 % in voting power of our stock entitled to vote generally in the election of directors. • These provisions provide that for as long as Apax Partners beneficially owns, in the aggregate, at least 50 % in voting power of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission, or repeal of our bylaws by our shareholders will require the affirmative vote of a majority in voting power of the outstanding shares of our stock and at any time when Apax Partners beneficially owns, in the aggregate, less than 50 % in voting power of all outstanding shares of our stock entitled to vote generally in the election of directors, any amendment, alteration, rescission, or repeal of our bylaws by our shareholders will require the affirmative vote of the holders of at least 662 ⁄ 3 % in voting power of all the then- outstanding shares of our stock entitled to vote thereon, voting together as a single class. • These provisions establish advance notice requirements for nominations for elections to our Board or for proposing matters that can be acted upon by shareholders at shareholder meetings; provided, however, at any time when Apax Partners beneficially owns, in the aggregate, at least 10 % in voting power of our stock entitled to vote generally in the election of directors, such advance notice procedure will not apply to it. Our certificate of incorporation contains a provision that provides us with protections similar to Section 203 of the DGCL, and prevents us from engaging in a business combination with a person (excluding Apax Partners and any of its direct or indirect transferees and any group as to which such persons are a party) who acquires at least 15 % of our common stock for a period of three years from the date such person acquired such common stock, unless board or shareholder approval is obtained prior to the acquisition. These provisions could discourage, delay or prevent a transaction involving a change in control of us. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors of your choosing and cause us to take other corporate actions you desire, including actions that you may deem advantageous, or negatively affect the trading price of our common stock. In addition, because our Board is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our shareholders to replace current members of our management team. These and other provisions in our certificate of incorporation, bylaws, and Delaware law could make it more difficult for shareholders or potential acquirers to obtain control of our Board or initiate actions that are opposed by our then- current Board, including delay or impede a merger, tender offer, or proxy contest involving our company. The existence of these provisions could negatively affect the price of our common stock and limit opportunities for you to realize value in a corporate transaction. Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our shareholders and the federal district courts of the United States as the exclusive forum for litigation arising under the Securities Act, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us. Pursuant to our certificate of incorporation, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our shareholders, (3) any action asserting a claim against us arising pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws, or (4) any other action asserting a claim against us that is governed by the internal affairs doctrine; provided that for the avoidance of doubt, the forum selection provision that identifies the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation, including any " derivative action, " will not apply to suits to enforce a duty or liability created by Securities Act, the Exchange Act, or any other claim for which the federal courts have exclusive jurisdiction. Our certificate of incorporation also provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. However, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce a duty or liability created by the Securities Act or the rules and regulations thereunder; accordingly, we cannot be certain that a court would enforce such provision. Our certificate of incorporation further provides that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the provisions of our certificate of incorporation described above; however, our shareholders will not be deemed to have waived (and cannot waive) compliance with the federal securities laws and the rules and regulations thereunder. The forum selection clause in our certificate of incorporation may have the effect of discouraging lawsuits against us or our directors and officers and may limit our shareholders' ability to obtain a favorable judicial forum for disputes with us. If the enforceability of our forum selection provision were to be challenged, we may incur additional costs associated with resolving such a challenge. While we currently have no basis to expect any such challenge would be successful, if a court were to find our forum selection provision to be inapplicable or unenforceable, we may incur additional costs associated with having to litigate in other jurisdictions, which could have an adverse effect on our business, financial condition, and results of operations and result in a diversion of the time and resources of our employees, management, and Board. Our operating results and stock price may be volatile. Our quarterly operating results are likely to fluctuate in the future. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market, or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. Our operating results and the trading price of our shares may fluctuate in response to various factors, including the factors mentioned throughout this section. A significant portion of our total outstanding shares may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well. Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. There were ~~175~~ **176** , ~~643~~ **863** , ~~109~~ **070** outstanding shares of our common stock as of ~~August 19~~ **July 31** , ~~2022~~ **2023** . The market price of our stock could decline if the holders of shares sell them or are perceived by the market as intending to sell them. We have no current plans to pay regular cash dividends on our common stock and you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it. We do not anticipate paying any regular cash dividends on our common stock for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions, and other factors that our Board may deem relevant. In addition, our ability to pay dividends is, and may be in the future, limited by covenants of indebtedness we or our subsidiaries incur. Therefore, any return on investment in our common stock is solely dependent upon the appreciation of the price of our common stock on the open market, which may not occur. We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock. Our certificate of incorporation authorizes us to issue one or more series of preferred stock. Our Board will have the authority to determine the preferences, limitations, and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our shareholders. Our preferred stock could be issued with voting, liquidation, dividend, and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium to the market price, and materially adversely affect the market price and the voting and other rights of the holders of our common stock. Future offerings of debt or equity securities by us may materially adversely affect the market price of our common stock. In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of our common stock or offering debt or other equity securities, including senior or subordinated notes, debt securities convertible into equity, or shares of preferred stock. In addition, we may seek to expand operations in the future to other markets which we would expect to finance through a combination of additional issuances of equity, corporate indebtedness, and / or cash from operations. Issuing additional shares of our common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders or reduce the market price of our common stock or both. Upon liquidation, holders of such debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution of our available assets prior to the holders of our common stock. Debt securities convertible into equity could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing, or nature of our future offerings. Thus, holders of our common stock bear the risk that our future offerings may reduce the market price of our common stock and dilute their stockholdings in us. General Risks If we are unable to maintain effective internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may be negatively affected. As a public company, we are required to maintain internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes- Oxley Act of 2002 (the " Sarbanes- Oxley Act ") requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal controls over financial reporting. If we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. Compliance with these public company requirements will make some activities more time- consuming, costly, and complicated. If we identify material weaknesses in our internal controls over financial reporting or if we are unable to assert that our internal controls over financial reporting are effective, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC, or other regulatory authorities, which could require additional financial and management resources. Our ~~independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the later of our second annual report or the first annual report~~

~~required to be filed with the SEC following the date we are no longer an " emerging growth company " as defined in the JOBS Act. We cannot assure you that there will not be material weaknesses in our internal controls in the future. Our~~ reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States. Generally accepted accounting principles in the United States are subject to interpretation by the Financial Accounting Standards Board (" FASB "), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results and could affect the reporting of transactions completed before the announcement of a change. ~~42~~