Risk Factors Comparison 2024-04-11 to 2023-04-13 Form: 10-K

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Investing in our Class A common stock involves a high degree of risk. You should consider and read carefully all of the risks and uncertainties described below, as well as other information included in this Annual Report on Form 10- K, including our consolidated financial statements and related notes appearing elsewhere in this filing, before making an investment decision. The risks described below are not the only ones we face. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition, or results of operations. Risks Related to Our Business and Industry We have grown rapidly in recent years and have limited experience at our current scale of operations and our historical growth rates are not necessarily indicative of our future performance. If we are unable to drive future growth or manage our growth effectively, our brand, company culture, and financial performance may suffer. We have grown rapidly ~~over~~ **in** the last several years, due in large part to the growth in demand for our Subscription offerings ~~,~~ **;** however, our ~~recent~~ **historical** growth rates and financial performance should not necessarily be considered indicative of our future performance. To effectively manage and capitalize on our growth, we must continue to enhance customer experience and attract and retain customers (particularly subscribers), iterate our subscription products, invest in digital consumer innovation, expand our brand awareness and marketing, and upgrade our management information and reverse logistics systems and other processes. Our growth and growth strategies have in the past strained, and could in the future ~~,~~ strain **,** our existing resources, and we could experience ongoing operating difficulties in managing our business across numerous jurisdictions, including difficulties in hiring, training, and managing a diverse ~~and growing~~ employee base. Failure to scale and preserve our company culture as we grow could also harm our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. Our growth strategy is focused on continuing to grow, engage, and retain our subscriber and customer base, expanding our brand partner relationships and product assortment, increasing our advertising and other marketing spending, and continuing to invest in our offerings and technology. The majority of our revenue is generated by our subscribers. Our base subscription plans range in price and customers can customize their subscription monthly by purchasing additional slots and shipments. Our subscriptions renew automatically on a monthly basis and subscribers may disable automatic renewal by canceling or pausing their subscription prior to the next month' s bill date. As a result, even though a significant number of subscribers have historically renewed their monthly subscription, there can be no assurance that we will be able to retain a significant portion of subscribers beyond the existing monthly subscription periods. In addition, any limitation or restriction imposed on our ability to bill our subscribers on a recurring basis, whether due to new regulations or otherwise, may significantly lower our subscription retention rate. We also offer our customers the option to rent or buy items via our Reserve offering and Resale offering, respectively. Our ~~subscription~~ **Subscription** plans and offerings do not have demonstrably long track records of success and may not grow as much or as fast as we expect. For example, our active subscriber growth rate ~~slowed~~ **decreased** year over year **in fiscal year** ~~as of January 31,~~ 2023 **and, although we are focused on growth initiatives, may continue to decline in the future** . In addition, ~~we~~ **our annual revenue was roughly flat year- over- year in fiscal year 2023. We** presently anticipate **a modest increase in** our **year- over- year** revenue growth rate ~~to slow~~ in fiscal year ~~2023~~ **2024** ~~. If~~ **; however, if** our growth rates continue to ~~decelerate~~ **decline** , **the** ~~investors'~~ perception of our business, financial condition and results of operations **by investors and our third- party service providers and brand partners** may be adversely affected. The fashion industry is rapidly evolving and our business may not develop as we expect. Overall growth of our revenue will depend on a number of factors, including our ability to: • change traditional consumer buying habits and normalize clothing subscription, rental and resale; • price our Subscription, Reserve and Resale offerings so that we are able to attract new customers, and retain and expand our relationships with existing customers; • ensure that we maintain an adequate depth and breadth of available products to meet customer demand and respond swiftly and appropriately to new and changing styles, trends or desired consumer preferences; • accurately forecast our revenue and plan our fulfillment, operating expenses and capital expenditures; • provide customers with a high- quality, seamless user experience and order fulfillment, as well as customer service and support that meets their needs; • acquire customers into varying levels of subscription programs at different price points; • improve our website and app performance and successfully identify and acquire, partner or invest in products, technologies, or businesses that we believe could complement or expand our business; • successfully maintain and grow our relationships with existing and new brand partners, including continuing to ~~maintaining~~ --- **maintain** and ~~growing~~ **grow** our Share by RTR and Exclusive Design offerings; • avoid disruptions in acquiring and distributing our products and offerings; • be **effective and** efficient in our paid marketing; • maintain and enhance our reputation and the value of our brand; • hire, integrate and retain talented personnel across all levels of our organization; • successfully compete with other companies that are currently in, or may in the future enter, the industry or the markets in which we operate, and respond to developments from these competitors such as pricing changes and the introduction of new offerings; • comply with existing and new laws and regulations applicable to our business; • successfully expand into new and penetrate existing geographic markets in the United States; • successfully develop new offerings and innovate and enhance our existing offerings and their features, including in response to new trends, competitive dynamics or the needs of customers and subscribers; • effectively manage growth of our business, personnel, and operations, including expanding our shipping and distribution ~~network~~ **capabilities** and fulfillment center operations, as well as our logistics footprint and the number of facilities we operate in the future; • effectively manage our costs related to our business and operations; and • avoid or manage interruptions in our business from information technology downtime, cybersecurity incidents and other factors that could affect our physical and digital infrastructure. Because we have a limited history operating our business at its current scale, it is difficult to evaluate our current business and future prospects, including our ability to plan for and model future growth. Our limited operating experience at this scale, combined with the rapidly evolving nature of the market in which we sell our offerings, substantial uncertainty concerning how these markets may develop, and other economic factors beyond our control, reduces our ability to accurately forecast quarterly or annual revenue. Failure to manage our future growth effectively could have an adverse effect on our business, financial condition, and results of operations. We also expect to continue to expend substantial financial and other resources to grow our business, and we may fail to allocate our resources in a manner that results in increased revenue growth in our business. Additionally, we may encounter unforeseen **capital or** operating expenses, difficulties, complications, delays, and other unknown factors that may result in losses in future periods **and undermine our profitability goals** . If our revenue growth does not meet our expectations in future periods, our business, financial condition, and results of operations may be harmed, and we may not achieve or sustain profitability in the future. The global fashion industry is highly competitive and rapidly changing, and we may not be able to compete effectively. We compete with other fashion rental companies and also with a range of traditional and online retail and resale fashion companies and we expect competition to continue to increase in the future. To be successful, we need to continue to attract and retain customers and brand partners. We believe our ability to compete effectively depends on many factors within and beyond our control, including: • our ability to normalize fashion rental and change traditional retail shopping habits and norms; • how effectively differentiated our offerings, customer experience and value proposition are from those of our competitors; • how effectively we market and communicate how to use our Subscription, Reserve and Resale offerings and attract and retain customers; • our ability to expand and maintain an appealing depth and breadth of our products to meet customer demand; • the price at which we are able to offer our Subscription, Reserve and Resale offerings; • the amount, diversity, and quality of brands that we or our competitors offer; • our ability to acquire products on favorable and efficient terms, including our ability to attract new brand partners and retain existing brand partners in our Share by RTR and Exclusive Design programs; • the speed and cost at which we can deliver products to our customers and the ease with which they can return our products; • the effectiveness of our customer service; • further developing our data science capabilities for brand partners; • the strength of our brand, including maintaining favorable brand recognition and effectively marketing our services and value proposition to customers; • the success of our reverse- logistics processes in delivering products in good condition to customers; and • anticipating and successfully responding to changing apparel trends and consumer shopping preferences. Many competitors or potential competitors have or may have longer operating histories, greater brand recognition, better user experiences, stronger consumer and supplier relationships, less complicated business models, and significantly greater financial, marketing and other resources. In addition, they may be able to innovate and provide products and services faster and with more selection than we can, including as a result of their vertical integrations that better enables them to acquire market share. Certain fashion rental competitors have lower priced subscription offerings than we do and / or offer more items per shipment. In addition, competitors and potential competitors may be willing to price their products and services more aggressively in order to gain market share and be able to manufacture goods on a more cost- effective basis because they are vertically integrated, producing higher volumes, and / or have stronger relationships with manufacturing partners. In addition, brands set pricing for their own new retail items, which can include promotional discounts that may adversely affect the relative value of rental and / or resale items offered by us, and, in turn, our revenue, results of operations and financial condition. Additional competitors are expanding and may continue to expand into the rental and resale space in which we operate and we remain vulnerable to the marketing power and high level of customer recognition of these larger competitors and to the risk that these competitors or other smaller entrants could attract our customer base. Furthermore, we are revolutionizing the fashion industry by changing the way women get dressed. Although we believe that there are numerous trends in our favor that support the continued growth and success of online fashion rental, changing traditional retail and e- commerce shopping habits is difficult, particularly the shift from an ownership to an access model. Our business model may not achieve acceptance as broadly and within the time frame that we expect by customers and brand partners. In addition, the trends in our favor may evolve and no longer provide compelling support for our business model. If online fashion rental does not achieve broad acceptance by consumers and our brand partners, our growth could be limited and our competitiveness hampered. Our inability to respond effectively to competitive pressures, improved performance by our competitors, failure to achieve broad acceptance and changes in the fashion retail markets could result in lost market share and have a material adverse effect on our business, financial condition, and results of operations. We rely on consumer discretionary spending and have been, and may in the future be, adversely affected by economic downturns and other macroeconomic conditions or trends. We are subject to variable industry and global economic conditions and their impact on consumer discretionary spending. Some of the factors that may negatively influence consumer spending include high levels of unemployment; recession; higher consumer debt levels; inflation; reductions in net worth, declines in asset values, and related market uncertainty; home foreclosures and reductions in home values; fluctuating interest rates and credit availability; fluctuating fuel and other energy costs; fluctuating commodity prices; and general uncertainty regarding the overall future political and economic environment. We have experienced many of these factors due to the ~~COVID- 19 pandemic and~~ recent volatile macroeconomic environment and have seen negative impacts on customer demand at varying levels as a result. Furthermore, increases in consumer discretionary spending tend to fluctuate and may decrease, particularly if there is a recession and / or higher inflation leading to increased price sensitivity. Economic conditions in certain regions may also be affected by natural disasters, such as hurricanes, tropical storms, earthquakes, and wildfires; other public health crises; wars, terrorism and political tensions; and other major unforeseen events. Although we believe the value proposition of our offering and business model may be strengthened in an inflationary environment where the cost of purchasing clothing and accessories increases, consumer purchases or rental of discretionary items, including the products that we offer, frequently decline during recessionary periods or periods of economic uncertainty, when disposable income is reduced or when there is a reduction in consumer confidence. Additionally, adverse economic changes could reduce consumer confidence, and could thereby negatively affect our operating results. In the event of a prolonged economic downturn or acute recession, significant inflation, or increased supply chain shortages, consumer spending habits could be adversely affected, and we could experience lower than expected revenue, net income, and Adjusted EBITDA. In challenging and uncertain economic environments, we cannot predict the degree of uncertainty, whether or when such circumstances may improve or worsen or what impact such circumstances could have on our business. Any of these developments could harm our business, financial condition and results of operations. Our continued growth depends on our ability to attract new, and retain existing, customers, which may require significant investment in paid marketing channels. If we are unable to cost- effectively grow our customer base, our business, financial condition and results of operations would be harmed. The growth of our business is dependent upon our ability to continue to grow by cost- effectively adding new customers and retaining existing customers. Historically, a substantial portion of new customer acquisition has originated from organic word- of- mouth and other non- paid referrals. ~~In fiscal year 2022, as we have increased paid marketing spend, we have seen an increase in the proportion of new customers attributed to paid channels.~~ Our current marketing initiatives are focused on re-engaging lapsed and paused customers, retaining existing customers and growing our base of new customers. **In addition, in fiscal year 2024, we are focused on growing traffic and conversion rates and refreshing our lifecycle marketing engine.** Although we expect to make significant investments in ~~improving the~~ **these areas** ~~customer experience~~ going forward, these investments may not result in an increase in customer loyalty or higher customer engagement. As a result, our levels of paid and organic growth may continue to fluctuate and / or overall growth may decline. Paid marketing is a key part of our growth strategy and we ~~have increased~~ **are currently focused on enhancing** our ~~spending~~ **current processes** and ~~plan to~~ **approach, including by** ~~continue~~ **continuing** to ~~increase spending~~ **leverage technology to measure our effectiveness** and ~~run~~ **efficiency. During 2023, we allocated a portion of our budgeted** marketing ~~campaigns~~ **expense** to ~~acquire additional~~ **rental product purchases in the second half of 2023. We believe this change negatively impacted** ~~subscribers~~ - **subscriber** ~~and customers, all of which could impact our customer~~ acquisition ~~costs~~ **in the third** and ~~overall profitability~~ **fourth quarters of 2023** . We also utilize promotional pricing to attract customers and subscribers who may have heightened price sensitivity and not be willing to pay full price for our offering when the promotion period expires **. In the third quarter and fourth quarters of 2023, we reduced promotional pricing for Subscription, which we believe negatively impacted subscriber acquisition. However, we believe that being less promotional going forward will enhance retention and customer experience and is in the best interest of the long- term health of the business. This approach may not be successful or sustainable and is likely to result in lower subscriber acquisition in the short term. In addition, it is likely that we will conduct additional experiments and may make changes to our promotions strategy in the future, depending on market conditions and other factors** . We may incur marketing expenses significantly in advance of the time we anticipate recognized revenue associated with such expenses. In addition, our paid marketing may **be unsuccessful for various reasons, including** not effectively ~~reach~~ **reaching** potential customers or ~~be~~ **being** cost- effective **(particularly as costs increase for performance marketing)** , changes in regulations **(e. g., privacy)** or third- party interference could limit the ~~ability~~ **effectiveness** of search engines ~~and~~ **,** social media platforms **, and other tools** for marketing, potential customers may decide not to rent through our platform or the spend of new customers may not yield the intended return on investment, any of which could negatively affect our results of operations. In addition **, the success of our marketing initiatives overall depends upon our marketing team and leadership, which has experienced recent transition as we focus on building creative and strategic talent on the team. If our team building efforts or marketing strategies are not successful or are not executed successfully, our growth may decline and we may not achieve our profitability goals. Further** , customer preferences may change and customers may not rent through our platform as frequently or spend as much with us. We strive to drive conversion of new subscribers from current and former customers; however, if their behavior changes or they are not satisfied with our offering for any reason, our ability to grow subscribers may be impacted. If we are not able to continue to expand our customer base through cost- effective methods, we may not meet our revenue and profitability goals ~~and~~ **,** our revenue may grow slower than expected or decline, and investors may lose confidence in our business. Relatedly, an inability to attract and retain customers could harm our ability to attract and retain brand partners, who may decide to partner with alternative platforms. If we fail to retain customers, our business, financial condition, and results of operations would be harmed. A high proportion of our revenue comes from longer- tenured subscribers. A decrease in the number of customers, their tenures with us, and / or a reduction in the amount customers spend on our offerings could negatively affect our operating results. Our number of customers and the amounts they spend on our offerings may decline materially or fluctuate as a result of many factors, including, among other things: • the quality, consumer appeal, price, and reliability of our offerings; • dissatisfaction with changes we make to our offerings and products; • the perceived value of our offerings, especially in response to price increases and changes in the macroeconomic environment; • our ability to quality control the products delivered to our customers and their fit; • ensuring on- time delivery of orders; • the ease with which customers can find items they are looking for, including the effectiveness of our search and discovery tools and rental product availability; • the performance of our website and mobile app, including site speed and reliability; • a negative customer service experience; • intense competition in the fashion industry; • negative publicity that impacts our brand and reputation; • changes in consumer preferences regarding the use of pre- loved apparel; • lack of market acceptance of our business model; • the unpredictable nature of the continued impact of ~~the~~ COVID- 19 ~~pandemic~~ or a future outbreak of disease or similar public health concern; • the failure (or perceived failure) to meet customer expectations regarding our environmental, social and governance (" ESG "), initiatives; and • changes in efficiency of our historic or current customer acquisition methods. If existing customers no longer find our offerings and products appealing, appropriately priced or easy to use, or if we are unable to provide high-quality support to customers to help them resolve issues in a timely and acceptable manner, they may stop using our offerings, negative publicity may be generated and word- of- mouth and other referrals may be hampered. ~~For example, in April 2022 we announced a price increase for our subscription plans. Based on performance and additional data in the third and fourth quarters~~

~~of fiscal year 2022, we believe that the April price increase was a significant negative contributor to subscriber pause and retention levels, and to a lesser extent, subscriber acquisition, in the second quarter of fiscal year 2022, in addition to seasonality and other potential macroeconomic factors. We saw improvement in these trends in the second half of fiscal year 2022; however, these improvements may not be sustained.~~ If our customers no longer perceive our subscription plans as appropriately priced and cancel or pause their subscriptions, our business and financial results could be harmed. We are focused on investing in our customer and delivering even more value to her, including by adding an extra item to each shipment **since** ~~beginning in~~ the first quarter of fiscal year 2023 **, increasing the depth and breadth of our rental product selection** , and emphasizing the value proposition of our offering in our marketing materials; however these or other initiatives to retain customers may not be successful **at improving customer satisfaction, subscriber retention and / or revenues** and may require additional costs or lead to unanticipated consequences. Even if our existing customers continue to find our offerings and products appealing and our customer service satisfactory, they may decide to downgrade to a less frequent, lower cost subscription and / or rent fewer items due to price sensitivity and / or changing demand or other reasons. If customers downgrade their subscriptions or make fewer or lower priced rentals, our financial results could be negatively affected. We have a history of losses, and we may be unable to achieve or sustain profitability. We had a net loss of $ (~~138~~ **113** . ~~7~~ **2**) million and $ (~~211~~ **138** . ~~8~~ **7**) million for the years ended January 31, **2024 and** 2023 ~~and 2022~~ , respectively, and have in the past had net losses. As of January 31, ~~2023~~ **2024** , we had an accumulated deficit of $ (~~939~~ **1, 053** . ~~9~~ **1**) million. Because we have a short operating history at scale, it is difficult for us to predict our future operating results. We will need to generate and sustain increased revenue and manage our costs to achieve profitability. Even if we do, we may not be able to sustain or increase our profitability. Our ability to generate profit depends on our ability to grow customers and revenue and drive operational efficiencies in our business to generate better margins. In fiscal ~~year~~ **years** 2022 **and 2023** , we took significant steps to reduce our operating costs, improve our margins, and make progress towards profitability, which is an important financial goal for us over time. Nevertheless, our efforts may be unsuccessful and we may continue to generate net losses in order to: • acquire rental product, which impacts rental product depreciation and revenue share expenses; • fulfill customer orders and provide customer service; • increase the engagement, enhance retention and improve the experience, of customers; • drive customer acquisition and brand awareness through marketing and promotional initiatives; • invest in technology, including to enhance our website and mobile offerings and functionality; • attract, motivate and retain our employees; • develop new offerings; • generally support a larger customer base; and • invest in our operations, including our logistics fulfillment, capacity and footprint, and other capital expenditures to support the growth in our business. We may discover unanticipated ~~operating~~ costs or that these initiatives are more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these expenses or realize the operating efficiencies and profitability we anticipate. We also expect to face greater compliance costs over time associated with the increased scope of our business and being a public company. If we are not able to adequately increase revenue or manage operating costs or due to other factors outside of our control, we may continue to incur net losses and not be able to achieve or sustain profitability in the near term or at all. If we are unable to achieve or sustain profitability, the value of our business and the trading price of our Class A common stock may be negatively impacted. If we fail to anticipate and respond successfully to new and changing fashion trends and consumer preferences **and accurately forecast consumer demand** , our business could be harmed. Our success is, in large part, dependent upon our ability to identify fashion trends, predict and gauge the tastes of our customers, and provide availability of items and a service that satisfies customer demand in a timely manner. However, lead times for many of our purchasing and design decisions may make it difficult for us to respond rapidly to new or changing apparel trends or customer acceptance of products chosen by us. We generally enter into contracts with our designer brand partners in advance of anticipated rentals and typically before apparel trends are confirmed by customer rentals. We have not always predicted our customers' preferences and acceptance levels of our products with accuracy. ~~For example, during the second quarter of fiscal year 2022, there was higher than expected usage of high formality apparel, which may have constrained the availability of these items and our ability to meet demand. In addition, external events may disrupt or change customer preferences and behaviors in ways we are not able to anticipate.~~ We have observed that our customers live, work, socialize and travel differently than they did prior to the COVID- 19 pandemic and ~~this~~ **that these behaviors continue to evolve, which** influences what they wear **and has made trend predictions challenging. We may misjudge demand and over or under purchase rental product. In addition, external events may disrupt or change customer preferences and behaviors in ways we are not able to anticipate. During the second quarter of 2023, lower rental product depth levels negatively impacted active subscribers, particularly new subscribers, and we have focused our efforts on improving and maintaining rental product depth levels during the third and fourth quarters of 2023** . Additionally, our success is dependent on the ability of our brand partners to anticipate, identify and respond to the latest fashion trends and consumer demands and to translate such trends and demands into product options in a timely manner. The failure of our brand partners to anticipate, identify or respond swiftly and appropriately to new and changing styles, trends or desired consumer preferences, to accurately anticipate and forecast demand for certain product offerings or to provide relevant and timely product offerings to rent on our platform may lead to lower demand for our offerings, which could have a material adverse effect on our business and financial condition. Further, although we use our data and business insights to predict our customers' preferences and gauge demand for our products, there is no guarantee that our data and business insights will accurately anticipate demand. ~~To~~ **As has occurred in** the **past, if** ~~extent we misjudge the market for the service we offer or~~ **our** ~~fail to execute on trends~~ **teams do not predict customer demand** and ~~deliver attractive~~ **tastes well or if our algorithms do not help us reorder the right** products ~~to customers~~ **or write off the right products in a timely manner** , we may not **effectively** attract and retain customers ~~effectively~~ **or manage our products** and our operating results will be adversely affected. Shipping and logistics are a critical part of our business and our supply chain and any changes or interruptions in shipping or logistics operations could adversely affect our operating results. We currently **primarily** rely on **a** ~~several third- party~~ national **carrier** ~~and regional shipping vendors~~ for our outbound and inbound logistics. ~~A substantial portion of our shipments~~ **However, we continue to maintain relationships with tier** ~~to~~ **two** and **tier three carriers in order to provide redundancies and manage potential shipping disruptions** from ~~customers are~~ **time to time. While we have confidence in our** ~~currently~~ -- **current** ~~conducted through~~ **strategy, we cannot predict changes in market conditions or how relying on** a single **national carrier** ~~vendor; however, we continue to focus on optimizing our provider network based on customer experience and cost and we cannot predict how changes and transitions~~ may impact ~~our costs and our~~ customer sentiment and satisfaction **, which could lead to unanticipated costs and / or have a material adverse effect on our business and financial condition** . Additionally, our business relies on the successful management of reverse logistics needed to ingest, clean, and restock returned items quickly and efficiently in order to offer them for rental or resale to other customers. If we are not able to maintain appropriate staffing levels or negotiate acceptable pricing and other terms with third- party vendors or they experience performance problems or other difficulties, our operating results and customers' experience could be negatively impacted. Our ability to receive inbound products efficiently and ship products to and from customers may be negatively affected by many events outside of our control **,** including ~~,~~ inclement weather, public health crises such as the COVID- 19 pandemic, governmental regulations, labor disputes and other factors. We are also subject to risks of damage or loss during delivery by our shipping vendors. If our customers do not receive their orders in good condition or on time, they could become dissatisfied and cease using our services, which would adversely affect our business and operating results. Our shipping vendors have faced and may continue to face increased volumes which, in turn, has caused and could in the future cause a decrease in their service levels, including shipping delays, or result in an increase ~~of~~ **in** their prices. We have ~~recently~~ experienced increased shipping costs **in recent years** , and these costs may ~~continue to~~ increase in the future **. In addition, although we have achieved efficiencies in our supply chain operations in recent years, these efficiencies may not be sustainable or meet our broader business objectives** . Increases in shipping costs **, in particular** ~~or~~ **for** ~~other~~ **our primary shipping vendor, could result in increased costs to us and adversely impact our business. In addition,** significant shipping difficulties or disruptions or any failure by our brand partners or third- party carriers to deliver high- quality products to us or to our customers, as applicable, in a timely manner or to otherwise adequately serve our customers could damage our reputation and brand and may substantially harm our business. In addition to offering the ability to return products by dropping off items with third- party shipping vendors, we ~~now~~ offer at- home pickup for customers located in ~~34~~ **multiple** markets ~~to return their orders as of January 31, 2023~~ . We believe at- home pickup is more convenient for many customers ~~and is more cost- effective for us~~ . Although we have had positive customer feedback and adoption to date, at- home pickup is a ~~new~~ **newer** offering and may not be successful over the long- term. In the event that we do not successfully and cost- effectively manage at- home pickup logistics, it will make it more difficult for us to satisfy our customers and efficiently manage shipping costs, which will negatively affect our brand, financial condition and results of operations. If we are unable to ~~accurately forecast customer demand,~~ acquire and manage our products effectively and plan for future expenses, our operating results could be adversely affected. We are vulnerable to demand and pricing shifts and to suboptimal selection and timing of product purchases. We obtain substantially all of our products directly from hundreds of brand partners through three key ways: 1) Wholesale, 2) Share by RTR, and 3) Exclusive Designs. For our business to be successful and have sufficient product to meet consumer demand, our brand and manufacturing partners must be willing and able to provide us with products in specific quantities and styles of sufficient quality, in compliance with regulatory requirements, at acceptable costs **and payment schedules** and on a timely basis. We typically do not enter into long- term contracts with our brand and manufacturing partners and, as such, we operate without significant contractual assurances of continued supply, pricing or access to products. Although we believe we have had limited voluntary attrition of brand partners to date, a brand partner could choose to no longer work with us or provide less favorable terms for a variety of reasons, including current **operating, financial,** market and supply chain conditions. In addition, some of our brand partners may not have the capacity to supply us with sufficient products to keep pace with our growth plans, especially if we plan to demand significantly greater amounts of products. In such cases, our ability to pursue our growth strategy will depend in part upon our ability to expand capacity with existing brand partners or develop new brand partner relationships. We have been focused on expanding our relationships with brand partners and continuing to work to increase the proportion of our products procured under Exclusive Designs **and Share by RTR** arrangements, which ~~reduces~~ **are** our ~~purchases~~ **more capital- efficient ways** of **acquiring** rental product. For our Exclusive Designs, RTR generally sources the materials and relies upon third- party manufacturing partners to produce products. For Wholesale and Share by RTR items, entering into contracts in advance of a particular season requires brand partners to agree to incur costs related to sourcing and manufacturing products before we have paid for them, which requires the brand partners to continue to trust us. If we were viewed as less financially viable **by our brand partners and / or their financing partners or factoring companies, including as a result of our Nasdaq listing compliance and status** , we may receive less favorable terms and conditions from our brand partners, including requiring upfront payments or other demonstrations of credit. The cash flow benefits we currently experience from our brand partners' willingness to revenue share could be adversely affected if revenue share terms change or if brand partners no longer wish to revenue share due to (1) lack of trust in us, (2) lack of revenue earned in comparison to the projections we provided, or (3) their inability to continue to spread their earnings out over the time period that the products are earning revenue on our website, among other reasons. For our Exclusive Design arrangements, we must continue to increase the number of brand partners with whom we work, design an assortment of styles that meet customer demand, maintain and enhance our third- party manufacturing capabilities and ~~partners~~ - **partner relationships** and ensure the products manufactured meets brand partners', customers' and our quality standards. Our ability to obtain a sufficient selection or volume of products on a timely basis at competitive prices could suffer as a result of any deterioration or change in our partner relationships or events that adversely affect them and, in turn, could have a material adverse effect on our business. We also procure and manufacture products outside of the United States. Global sourcing and foreign trade involve numerous factors and uncertainties beyond our control including increased shipping costs, limitations in factory capacity, the imposition of additional import or trade restrictions, including legal or economic restrictions on overseas brand partners' or manufacturers' ability to produce and deliver products, increased custom duties and tariffs, unforeseen delays in customs, more restrictive quotas, loss of a most favored nation trading status, currency exchange rates, transportation delays, foreign government regulations, political instability and economic uncertainties in the countries from which we or our brand partners source our products. Future extended disruptions in travel may limit our ability to source products in- person, which may lead to suboptimal products and harm our business. For the next several quarters, we anticipate facing, and having to address challenges relating to, economic uncertainty and trends that may also impact our business operations, including transportation efficiencies. Additionally, oil supply disruptions related to Russia' s invasion of Ukraine ~~have~~ led and could continue to lead to increased fuel and shipping prices. Further, certain trade restrictions related to the Xinjiang region of China that impose a ban on virtually all imports from that region could affect the sourcing and availability of raw materials, such as cotton, used in the manufacturing of certain products and lead to our products and materials and those of our brand and / or manufacturing partners being held for inspection by the United States Customs & Border Patrol and delayed or rejected for entry, which could adversely impact the customer experience and our business. In addition, negative press or consumer sentiment about internationally sourced products may lead to reduced demand for our products. These and other issues affecting our international brand partners, manufacturers or internationally sourced products could have a material adverse effect on our business, financial condition, and results of operations. ~~We also rely on our merchandising team to order styles that our customers will rent and we rely on our data science to inform the levels of and which products we purchase, including when to reorder items that are renting well and when to sell or write- off items that are not renting well. If our teams do not predict customer demand and tastes well or if our algorithms do not help us reorder the right products or write off the right products timely, we may not effectively manage our products and our operating results could be adversely affected.~~ Furthermore, we must execute our cleaning and repair protocols and reverse logistics operations efficiently and at a significant scale to maximize the utilization of units and reduce the number of units purchased, the failure of which may adversely affect our operating results. We cannot control products while they are out of our possession or prevent all damage while in our fulfillment centers, during shipping, or while with customers, third- party suppliers or partners. We may incur additional expenses and our reputation could be harmed if customers and potential customers believe that our products are not of high quality or may be damaged. If we fail to maintain and enhance our brand, our ability to attract and retain customers will be impaired and our business, financial condition, and results of operations may suffer. Maintaining and enhancing our appeal and reputation as a stylish, revolutionary and trusted brand is critical to attracting and retaining customers and brand partners. The successful promotion of our brand and awareness of our offerings and products depends on a number of factors, including our marketing efforts, ability to continue to develop our offerings and products, the quality and appeal of our products, and ability to successfully differentiate our offerings from competitive offerings. We expect to invest substantial resources to promote and maintain our brand, but there is no guarantee that our brand development strategies will enhance the recognition of our brand or lead to increased customer acquisition and sales. The strength of our brand depends largely on our ability to provide a compelling customer value proposition for our rental and resale offerings and continued customer engagement and word of mouth organic marketing. Our efforts to improve our customer experience may not be successful. In addition, brand promotion activities may not yield increased revenue, and even if they do, the increased revenue may not offset the expenses we incur in promoting and maintaining our brand and reputation. Furthermore, whether accurate or not, negative publicity about our business, operations, or employees, and customer complaints **has in the past, and** could **in the future,** harm our reputation, customer trust and referrals of our services, brand partner **confidence, vendor** confidence, employee morale and culture, and our ability to recruit new employees effectively. In addition, negative publicity related to our brand partners, influencers and other vendors that we have partnered with may damage our reputation, even if the publicity is not directly related to us. Negative commentary concerning us or our brand partners may also be posted on social media platforms at any time and may have an adverse impact on our brand, reputation and business. The harm of negative publicity, particularly on social media platforms, may be immediate, without affording us an opportunity for redress or correction. If we fail to maintain, protect, and enhance our brand successfully or to maintain and grow loyalty among customers, or if we incur substantial expenses in unsuccessful attempts to maintain, protect, and enhance our brand, we may fail to attract or increase the engagement of customers, and our business, financial condition, and operating results may suffer. If we are not able to improve our website and mobile app performance, keep pace with technological changes, enhance our current offerings, and develop new offerings **in a timely way** to respond to the changing needs of partners and customers, our business, financial performance, and growth may be harmed. Our industry is characterized by rapidly changing technology, new service and product introductions, and changing customer demands and preferences, and we are not able to predict the effect of these changes on our business. **In addition, we believe that our future success depends, in part, on our ability to anticipate and respond effectively to new technology disruption and developments and keep pace more generally with technological changes and trends. These may include new software applications or related services based on artificial intelligence (such as our AI search beta launch), augmented reality, machine learning, or robotics or more generally evolving trends in e- commerce.** For example, we are currently focused on improving the performance of our website and mobile application for our customers, including increasing site speed and reliability; however, our efforts may be unsuccessful. The technologies that we currently use to support our business platform **are highly interconnected and complex (as discussed elsewhere in these risk factors) and** may become inadequate or obsolete, and the cost of incorporating new technologies into our offerings and services may be substantial. ~~Any~~ **In addition, any** failure by us to adequately integrate technological developments in our approach to data management could harm our ability to leverage data, including customer data, collected through our technology and our systems, which could have a negative effect on our business. If we are unable to adequately utilize our data in support of our operations due technical or other limitations, our ability to drive leverage in operational efficiencies and to attract new customers and retain existing customers could be impaired. In addition, if we are unable to successfully leverage new technology to automate and otherwise **enhance**

and drive efficiencies in our operations, our business, results of operations and financial condition could be harmed. Our partners and customers may not be satisfied with our technological or other platform enhancements or new offerings or may perceive that these offerings do not respond to their needs or create value for them. Our customers may also be dissatisfied with the product mix we currently offer or will offer in the future. Additionally, as we invest in and experiment with new offerings or changes to our platform, our partners and customers may find these changes to be disruptive and may perceive them negatively. For example, in 2021, we phased out our " unlimited swaps " subscription plan and shifted to our current subscription plans with different price points based on usage. In addition, our at- home pickup offering offers customers in certain markets a new way to return their items without going to a physical drop off location. In March 2023, we changed our subscription programs to provide customers with one additional item per shipment at no extra charge, which is intended to provide more value to our customers and increase retention. These new plans and offerings do not have demonstrably long track records of success for us and could result in higher fulfillment costs and lower gross margins, higher product spend, and / or other unforeseen impacts on the business. In addition, developing new offerings and services is complex, and the timetable for their public launch is difficult to predict and may vary from our historical experience. As a result, the introduction of new offerings may occur after anticipated release dates, or they may be introduced as pilot programs, which may not be continued for various reasons. In addition, new offerings may not be successful due to defects or errors, negative publicity, or our failure to market them effectively. New offerings may not drive revenue growth, customer acquisition or retention, may require substantial investment and planning, and may bring us more directly into competition with companies that are better established or have greater resources than we do. If we do not continue to cost- effectively develop new offerings that satisfy our brand partners and customers, then our competitive position and growth prospects may be harmed. In addition, changes to subscription plans or new offerings may have lower margins than we anticipate or than existing offerings, and our revenue from new offerings may not be enough to offset the cost of developing and maintaining them, which could adversely affect our business, financial performance, and growth. We rely heavily on the effective operation of our proprietary technology systems and software, as well as those of our third- party vendors and service providers, for our business to effectively operate and to safeguard confidential information. We rely heavily on the Internet, **computer systems, hardware,** in- house proprietary technology, third- party software and infrastructure, and customized off- the- shelf technology solutions across our business (collectively, our " IT Systems "). **We own and manage some of these IT Systems but also rely on third parties for a range of IT Systems and related products and services.** Our ability to effectively manage all areas of our business, particularly our product management and fulfillment operations, depends significantly on the reliability and capacity of these **IT** ~~systems~~ **Systems** . We are critically dependent on the integrity, connectivity, security and consistent operations of our IT Systems, which are highly dependent on coordination of our internal business, operations, product and engineering teams. For example, in September 2019, we experienced a software outage at our Secaucus, New Jersey facility, during which we were unable to fulfill thousands of Reserve and Subscription orders on a timely basis and made the decision to stop taking new orders until the issue was adequately resolved. We also experienced significant negative customer reviews and negative press as a result of the outage, which we believe damaged our customer relationships, reputation and brand. The outage also resulted in substantial financial losses and increased costs largely due to: lost revenues, customer refunds, credits, promotions and / or related payments, and incremental labor and shipping costs. Our insurance policy covered a substantial portion of these losses but not all of them. While we have taken remediation measures in response to the outage, ~~similar~~ **additional** outages or other disruptions **have occurred and** may occur in the future, which could harm our ability to meet customer expectations, fulfill orders, manage our products, and achieve our objectives for operating efficiencies and profitability. The technology underlying our platform is highly interconnected and complex **,** and ~~may~~ **we detect bugs, errors, and vulnerabilities from time to time in the ordinary course of business. Because of the complexity of our technology, it is likely to** contain **additional** undetected **bugs,** errors or vulnerabilities **, some of which may have a material adverse effect on our business or operations** . ~~Due~~ **We are unable to comprehensively apply patches or confirm that measures are in place to mitigate all such vulnerabilities, or that patches will be applied before vulnerabilities are exploited by a threat actor. Moreover, due** to the interconnected nature of ~~the software underlying~~ our ~~platform~~ **IT Systems** , updates to parts of our code **(including for product launches)** , third- party code, and application programming interfaces, on which we rely and that maintain the functionality of our **IT** ~~systems~~ **Systems** , **are often very complex and** could have an unintended impact on other sections of our code, which may result in errors or vulnerabilities to our platform **and / or launch delays** that negatively impact the customer experience and functionality of our offerings. In some cases, such as our mobile application, **certain** errors ~~may~~ **are** only **able to** be correctable through updates distributed through slower, third- party mechanisms, such as app stores, and may need to comply with third- party policies and procedures to be made available, which may add additional delays due to app review and customer delay in updating their mobile apps. In addition, our **IT** ~~systems~~ **Systems and business operations** are increasingly reliant on machine learning systems **and artificial intelligence technologies** , which are complex **, expected to pose new or unknown cybersecurity risks and challenges,** and may have errors or inadequacies that are not easily detectable. These systems may inadvertently reduce the efficiency of our **IT** ~~systems~~ **Systems** , or may cause unintentional or unexpected outputs that are incorrect, do not match our business goals, do not comply with our policies, or otherwise are inconsistent with our brand, guiding principles and mission. Any errors or vulnerabilities discovered in our code **or IT Systems generally** could also result in damage to our reputation, loss of our customers, unauthorized disclosure of personal and confidential information, loss of revenue or liability for damages, any of which could adversely affect our growth prospects and our business. Any significant technology disruption or failure, cyberattack or data security incident could adversely affect our business, financial condition and operations. Our ability to effectively manage our business, particularly our product management, order and fulfillment operations, depends significantly on the reliability and capacity of the Internet and our IT Systems. We also collect, process and store sensitive and confidential information, including our proprietary business information and information regarding our customers, employees, suppliers and business partners, including personally identifiable information **(collectively, " Confidential Information ")** . The secure processing, maintenance and transmission of ~~this~~ **Confidential** ~~information~~ **Information** is critical to our operations. Our IT Systems and those of our service providers and business partners may be subject to damage or interruption from ~~cyber attacks,~~ power outages or damages, telecommunications problems, data corruption, software errors, network failures, acts of war or terrorist attacks, fire, flood and natural disasters. Our existing safety systems, data backup, access protection, user management and information technology emergency planning may not be sufficient to identify, detect, prevent, or recover from data corruption or loss or long- term network or operational outages. In addition, we ~~may have to~~ upgrade our existing IT Systems **and** ~~or choose to~~ incorporate new technology systems from time to time in order for such systems to support the ~~increasing~~ needs of our ~~expanding~~ business. Costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems could disrupt or reduce the efficiency of our operations. **In addition, our failure to implement upgrades to our IT Systems, whether due to cost savings or resource constraints, failure to identify the need or other reasons, could negatively impact our business. Additionally,** ~~Despite~~ **despite** various security measures that have been implemented, our IT Systems and those of our third- party service providers and business partners **as well as the Confidential Information stored thereon** are vulnerable to **numerous and evolving cybersecurity risks that threaten their confidentiality, integrity and availability, including** security incidents, attacks by **diverse threat actors (including** hackers, **hacktivists, and state- sponsored organizations)** acts of vandalism, malware, social engineering, denial or degradation of service attacks, computer viruses, software bugs or vulnerabilities, supply chain attacks, phishing attacks, ransomware **attacks, credential stuffing** attacks, misplaced or lost data, human errors, malicious insiders or other similar events. If unauthorized parties gain access to our **Confidential Information,** IT Systems or **other** information, or those of our third- party service providers or business partners, they may be able to steal, publish, sell, delete, use inappropriately or modify private and sensitive information **,** including credit card information and personally identifiable information or proprietary business information, any or all of which could harm our business, financial condition and results of operations. **In particular,** ~~Ransomware~~ **ransomware** attacks, including those from organized criminal threat actors, nation- states and nation- state supported actors, are becoming increasingly prevalent and can lead to significant interruptions, delays, or outages in our operations, loss of data, loss of income, significant extra expenses to restore data or systems, reputational loss and the diversion of funds. To alleviate the financial, operational and reputational impact of a ransomware attack **,** it may be necessary to make extortion payments, but we may be unable to do so if applicable laws or governmental pressure prohibit or prevent such payments. **We are also a frequent target of credential stuffing and account takeover attacks, for example where email addresses and passwords involved in security incidents reported by other companies are used to attempt to gain unauthorized access to our platform or IT Systems.** In addition, employees may intentionally or inadvertently cause data or security incidents that result in unauthorized release of ~~personal~~ **Personal Information** or **other** ~~confidential~~ **Confidential** ~~information~~ **Information . Further, company- issued laptops or other devices have been, and may in the future be, lost, stolen, or infected with malware** . Because the techniques **and tools (including artificial intelligence)** used to circumvent security systems change frequently, are becoming increasingly sophisticated, are designed to evade detection and remove forensic evidence, are often not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to timely or effectively anticipate, detect or recover from cyberattacks or security incidents in the future. **There can also be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our Confidential Information and IT Systems. For example, as further described later in these risk factors, we have identified material weaknesses in certain controls related to our IT Systems.** Certain of the aforementioned types of cyberattacks and security incidents have occurred in the past **to us and our third- party providers** , and may occur in the future, resulting in unauthorized, unlawful, or inappropriate access to, inability to access, disclosure of, or loss of ~~sensitive, proprietary and confidential~~ **Confidential** ~~information~~ **Information** . For example, although no sensitive information was affected, our platform has been the subject of phishing attempts, credential stuffing attacks ~~(i. e., email addresses and passwords involved in security incidents reported by other companies have been used to attempt to gain unauthorized access to our platform)~~ and brute force attacks (i. e., attempts to try different username and password credentials to gain access to our platform) ~~. In addition~~ , **and** ~~company- issued laptops or~~ other **account takeover tactics** ~~devices have been, and may in the future be, lost, stolen, or infected with malware~~ . The security measures we employ to prevent, detect, and mitigate **unauthorized use of user credentials and** potential harm to our users from the theft of or misuse of user credentials on our network may not be **, and have not always been,** effective in every instance. We **also** rely on a number of third- party providers of products and services to operate our critical internal and external operations, such as the processing of **Personal Information and other** ~~confidential~~ **Confidential** ~~and personally identifiable information~~ **Information** . Examples of third parties include, but are not limited to, our shipping partners, human resources information system, payment processor, and various IT Systems providers. These service providers may not have adequate security measures and could experience a security incident that compromises the confidentiality, integrity, or availability of the IT Systems they operate for us or the **Confidential** ~~information~~ **Information** they process on our behalf and may not be able to contain or recover from such incidents or to notify us in a timely manner. Moreover, we or our third- party service providers may be more vulnerable to such attacks in remote or hybrid work environments ~~, which have increased in response to the COVID- 19 pandemic~~ . Any cyberattack, security incident, or material disruption or slowdown affecting our **Confidential Information or** IT Systems or those of our third- party service providers or business partners, **could result in costly investigations and litigation (including class action lawsuits), civil or criminal penalties, operational changes or other response measures, restoration and remediation costs, loss of consumer confidence in our security measures, negative publicity, and / or reputational harm, any of which** could have a material adverse effect on our business, financial condition, and results of operations. While we maintain cyber insurance that may help provide coverage for these types of events, we cannot provide assurances that our insurance will be adequate to cover costs and liabilities related to these incidents ~~. Any such incident, attack, virus~~ or **that** ~~other event could result in costly investigations and litigation exceeding~~ applicable insurance **will be** ~~coverage or contractual rights~~ available to us ~~,~~ in ~~particular because certain data privacy laws, including the California Consumer Privacy Act (the " CCPA "), grant individuals a private right of action arising from certain data security incidents, civil or criminal penalties, operational changes or other~~ -- **the future on economically reasonable terms** ~~response measures, loss of consumer confidence in our~~ - **or at all** ~~security measures, and negative publicity that could adversely affect our business, financial condition, and results of operations~~ . Our e- commerce business faces distinct risks, such as fulfillment of orders, and our failure to successfully manage these risks could have a negative impact on our profitability. As an e- commerce business, we encounter risks and difficulties frequently experienced by businesses with significant internet operations. The successful operation of our business as well as our ability to provide a positive customer experience that will generate Subscription, Reserve ~~rental~~ and Resale orders depend on efficient and uninterrupted e- commerce order- taking and fulfillment operations. If we are unable to allow real- time and accurate visibility to product availability when customers are ready to order, quickly and efficiently fulfill our customers' orders using the fulfillment and payment methods they demand, provide a convenient and consistent experience for our customers regardless of the ultimate channel or effectively manage our online sales, our ability to compete and our results of operations could be adversely affected. We have two fulfillment centers in Arlington, Texas and Secaucus, New Jersey that we depend on for our fulfillment operations. We currently lease these facilities. ~~We~~ **Although we have recently renewed our lease in Secaucus, NJ, we** cannot guarantee that we will be able to renew or negotiate new **or renewed** leases **in the future at this location or in Texas** on terms acceptable to us or at all. If we are unable to secure such leases, or if we can only secure such leases on economic terms that are less than optimal for us, it may materially adversely impact our results of operations. Risks associated with our e- commerce business include: • our ability to provide a delightful and effective search and discovery experience for our customers; • our failure to successfully execute planned enhancements to our website and mobile application performance to improve site speed and reliability in order to keep pace with industry standards and meet customer expectations; • uncertainties associated with our website and mobile application, including changes in required technology interfaces, website downtime and other technical failures, anticipated or unanticipated costs and technical issues, our ability to upgrade systems software successfully, inadequate system capacity, computer viruses, human error, and / or security incidents; • disruptions in internet service or power outages; • reliance on third parties for computer hardware and software, as well as delivery of products to our customers; • rapid technology changes; • credit or debit card fraud and other payment processing related issues; • changes in applicable federal, state and international regulations; • legal claims related to our e- commerce operations and fulfillment, including liability for online content; • cybersecurity, consumer privacy and consumer protection concerns and regulation; and • natural disasters or adverse weather conditions. Our online offerings also expose us to broader applicability of regulations, as well as additional regulations, such as the rules relating to registration of internet sellers, certain anti- money laundering, trade sanction, anti- corruption, anti- bribery and international trade laws. Problems in any of these areas could result in a reduction in sales, increased costs, sanctions or penalties and damage to our reputation and brands. **We rely on third parties to support our business, including, among other things, portions of our technology development and support and certain payment processing services. We have experienced, and may in the future experience, adverse changes to the terms of our agreements with vendors and other commercial partners based on perception of our creditworthiness. If we are viewed as less financially viable by third- party providers, including as a result of our Nasdaq listing compliance and status, we may receive less favorable terms and conditions, including requiring upfront payments or other demonstrations of credit.** In addition, we must keep up to date with competitive technology trends, including the use of new or improved technology, checkout and payment options, creative user interfaces, virtual and augmented reality and other e- commerce marketing tools such as paid search and mobile applications, among others, which may increase our costs and which may not increase sales or attract customers. Our competitors, some of whom have greater resources than we do, may also be able to benefit from changes in e- commerce technologies or adapt better than us, which could harm our competitive position. Our quarterly and annual results of operations may fluctuate, which may make it difficult to predict our future performance. Our results of operations could vary significantly from quarter to quarter and year to year because of a variety of factors, many of which are outside of our control. Even if our revenue increases, our revenue growth rates may decline in the future as a result of a variety of factors, including macroeconomic factors, increased competition, and the maturation of our business. As a result, comparing our results of operations on a period- to- period basis or our revenue growth rate for any prior period may not be meaningful. In addition to other risk factors discussed in this ~~section~~ **Annual Report** , factors that may contribute to the variability of our quarterly and annual results include: • our success in attracting and retaining customers and subscribers; • maintaining successful relationships with brand partners and our ability to acquire products at acceptable prices and offer a compelling mix of products that are available for ~~subscription~~ **Subscription** , **Reserve** ~~a- la- carte rental~~ or ~~purchase~~ **Resale** at any given time; • the amount and timing of our fulfillment costs, operating expenses and capital expenditures; • the timing and success of product launches, including pricing changes, new services and features we may introduce; • the success of our marketing and promotional efforts; • adverse economic and market conditions and other adverse global events that negatively impact commerce and consumer behavior and that could lead to inflationary pressures and supply chain disruptions; • disruptions or defects in our software or operations, such as privacy or data security incidents, outages, or other incidents that impact the availability, reliability, or performance of our business; • the impact of competitive developments and our response to those developments; • our ability to manage our business and future growth; • our ability to recruit and retain employees including fulfillment center labor to process, itemize, list, pack and ship our products; and • changes to financial accounting standards and the interpretation of those standards, which may affect the way we recognize and report our financial results. The impact of one or more of the foregoing and other factors may cause our results of operations to vary significantly. As such, period- over- period comparisons of our results of operations may not be meaningful and should not be relied upon as an indication of future performance. Fluctuations in our operating results and key metrics may cause our results to fall below our financial guidance or other projections, or the expectations of analysts or investors, which could cause the price of our Class A common stock to decline. Fluctuations in our results could also cause a number of other problems. For example, analysts or investors might change their models for valuing our Class A common stock, we could experience liquidity issues, our ability to retain or attract key personnel may diminish, and other unanticipated issues may arise. We believe that our operating results and key metrics may vary in the future and that period- to- period comparisons of our operating results may not be meaningful. For example, our overall historical growth rate and the impacts of the COVID- 19 pandemic may have overshadowed the effect of seasonal variations on our historical operating results. These seasonal effects may become more pronounced over time, which could also cause our operating results and key metrics to fluctuate. We face risks arising from the restructuring of our operations, which could adversely affect our financial condition, results of operations, cash flows, or business reputation. ~~In~~ **We have taken and plan to continue to take actions intended to further reduce our cost structure. For example, in** September 2022 **and January 2024** , we announced ~~a~~ restructuring ~~plan~~ **plans** ~~that is~~ intended to reduce costs, streamline our organizational structure and drive operational efficiencies **and growth** . ~~This~~ **These** ~~plan~~ **plans or other future restructuring plans** ~~presents~~ **present** significant risks that could have a material adverse effect on our operations, financial condition, results of operations, cash flow, or business reputation. Such risks include: • the failure to achieve targeted cost savings and efficiency **, and growth, cash flow** and profitability goals; • a decrease in employee morale, a negative impact to our corporate culture, and heightened regrettable attrition, including by critical employees, each of which we' ve observed to some extent and are focused on addressing; • an increase in employment claims; • actual or perceived disruption of service or reduction in service standards to customers; ~~and~~ • the **loss of institutional knowledge and / or employee expertise, which could lead to inefficiencies or business disruptions, some of which may be significant and our efforts to address may not be successful; and • the delay or** failure to meet our operational standards, needs, or goals due to fewer employees, including potential single points of failure, or due to reduced or reallocated resources generally. Environmental, social and governance matters may **adversely** impact our business and reputation. There has been increased focus, including by consumers, investors, employees and other stakeholders, as well as by governmental and non- governmental organizations, on **ESG** ~~environmental, social and governance~~ matters generally and with regard to the fashion industry specifically. We expect that ~~an~~ **this** increased focus on ESG considerations will affect some aspects of our operations. **For example, we expect to be subject to various disclosure requirements (such as information on greenhouse gas emissions, climate risks, use of offsets, and emissions reduction claims) from the SEC' s climate disclosure rule and the State of California, among other regulations or requirements. These requirements may not always be uniform across jurisdictions, which may result in increased complexity, and cost, for compliance. Separately, various regulators have adopted, or are considering adopting, regulations on environmental marketing claims, including but not limited to the use of " sustainable ", " eco- friendly ", " recyclable " or similar language in product marketing.** Any **of the foregoing may require us to make additional investments or incur additional costs for the collection of data and / or preparation of disclosures and associated internal controls, and in turn, may adversely impact our business, operating results and financial condition. Further, any** failure by us to meet our Impact Strategy goals **for any reason, including due to the potential changes to the prioritization of these goals,** or a loss of confidence on the part of customers, investors, employees, brand partners ~~,~~ and other stakeholders as it relates to our ESG initiatives could negatively impact our brand ~~,~~ **or** the demand for our offerings, **or lead to enforcement actions or litigation, adversely affecting** our financial condition, results of operations and prospects. These impacts could be difficult and costly to overcome, even if such concerns were based on inaccurate or misleading information. In addition, achieving our Impact Strategy goals **or complying with ESG- related disclosure requirements** may result in increased costs in our supply chain, fulfillment ~~,~~ and / or corporate business operations, and could deviate from our initial estimates and have a material adverse effect on our business and financial condition. Furthermore, if our competitors' corporate responsibility performance is perceived to be greater than ours, we may lose potential or current customers, we may be unable to recruit and retain employees effectively, and potential or current investors may elect to invest with our competitors instead. Voluntary or required standards and research regarding environmental, social ~~,~~ and governance initiatives could change and become more onerous for both ~~for~~ us and our third- party suppliers and vendors to meet successfully. Evolving data and research could undermine or refute our current claims and beliefs that we have made in reliance on current research, which could also result in costs, a decrease in revenue ~~,~~ and negative market perception that could have a material adverse effect on our business and financial condition. Alternatively, if we are unable to satisfy such new criteria, investors may conclude that our policies or actions with respect to corporate responsibility are inadequate. We risk damage to our brand and reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various constituencies. A variety of organizations measure the performance of companies on such ESG topics, and the results of these assessments are widely publicized. In addition, investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, the company' s efforts and impacts on climate change and **the environment and** human **and labor** rights, ethics and compliance with law **, human capital and diversity, equity and inclusion matters,** and the role of the Company' s board of directors in supervising ESG issues. Unfavorable ESG ratings could lead to negative investor sentiment toward us and / or our industry, which could have a negative impact on our access to and costs of capital. In light of investors' and other stakeholders' increased focus on ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet our stakeholders' or society' s ESG expectations or achieve our ESG goals and financial goals. **Additionally, many of our third- party suppliers and vendors may be subject to similar expectations, which may augment or create additional risks, including risks that may not be known to us. The effects of climate change and related regulatory, customer and investor responses may adversely impact our business. Our corporate offices, fulfillment**

centers and facilities of our brand and manufacturing partners are subject to risks relating to climate change and other environmental impacts. For example, the physical effects of climate change, such as more intense, prolonged, and / or frequent severe weather events, natural disasters and / or significant changes in climate patterns or temperatures, may result in facility damage, supply chain interruptions (including but not limited to challenges regarding the availability and quality of water and raw materials), changes in the availability and / or cost of insurance, as well as other adverse impacts. Similarly, our carbon emissions and our business' overall impact on the environment could subject us to reputational, market and / or regulatory risks and could result in changes in consumer preferences. Climate change and other environmental concerns may cause social, economic and physical disruptions in the places where we operate, including disruptions to our supply chain and to local infrastructure and transportation systems which could limit material availability and quality, disrupt our data management and communications systems, increase product costs, impact our ability to ship and deliver products, prevent access to our physical locations and negatively impact the economy, consumer confidence and discretionary spending. In addition, implementing changes to mitigate these risks may result in substantial short- and long- term additional operational expenses, which may materially affect our profitability. We rely on the experience and expertise of our Co- Founder and Chief Executive Officer, senior management team, key technical and strategic employees and hourly personnel. We believe that our success and future growth depend largely upon the continued services of our senior management team, including our Co- Founder, Chief Executive Officer and Chair, Jennifer Y. Hyman. From time to time, there **have been and** may be **future** changes in our executive management team resulting from the hiring or departure of these executives. Our executive officers are employed on an at- will basis, which means they may terminate their employment with us at any time. The loss of one or more of our executive officers, **the failure to appropriately manage executive transitions,** or the failure by our executive team to effectively work with our employees and lead our company, could harm our business. We do not maintain key man life insurance with respect to any member of management or other employee. In addition, our future success will depend upon our ability to attract and retain employees, particularly for key roles, such as engineering and technology (including data science ~~and analytics~~), brand, marketing, buying and planning, and logistics, as well as hourly fulfillment workers and customer service agents. Such efforts have required, and are expected to continue to require significant time, expense, and attention as there is intense competition for such individuals, particularly in New York City, Galway, New Jersey and Texas, and new hires require significant training and time before they achieve full productivity. We may be unable to maintain competitive wage and salary levels, which **may** ~~are likely to~~ increase further due to inflation and potential **laws increasing** minimum **wages. Our inability to maintain competitive** wage ~~increases, which~~ **and salary levels** could increase attrition and make recruiting more difficult. Alternatively, we may be required to increase current compensation levels to attract and retain employees, which could negatively impact our profitability goals. In addition, prospective and existing employees often consider the value of the equity awards they may receive in connection with their employment and our stock price has declined significantly since our 2021 IPO. If the perceived value of our equity awards is inadequate or experiences significant volatility, it may adversely affect our ability to recruit and retain key employees. In ~~April~~ **July** 2023, we **completed an** ~~announced a proposed~~ option exchange designed to incentivize and retain employees, directors and other service providers by providing the ability to exchange outstanding stock options for RSUs **, which was approved by stockholders** . This option exchange ~~may not be approved by stockholders or we may change our plans~~ , **however** ~~and it may cause us to incur significant and unexpected costs. In addition~~ , ~~the option exchange~~ may not have the intended incentivization and retention benefits ~~. Additionally~~ , **particularly in light of** our ~~September 2022 restructuring plan~~ **current stock price performance. Further our continued efforts to optimize our cost structure and organization design** has made **,** and in the future may **,** ~~continue to~~ make it more difficult to attract and retain employees for key roles. Our corporate employees primarily worked remotely from March 2020 to April 2022. Since then, we have reopened our offices and moved to a hybrid working model for New York City and Galway **. We have continued** ~~, in which employees were asked~~ to ~~be in the~~ **shift to a more** office **- centric model** ~~two days per week~~ in **New York City** ~~2022 and three days per week starting in March 2023~~ . If ~~the hybrid~~ **our current** model is not aligned with our employees' preferences, it may adversely affect our ability to recruit and retain employees **and** ~~. In addition, the hybrid model~~ may negatively impact our company culture, collaboration and productivity **, and may be something that we need to revisit in the future** . We have experienced in the past, and may in the future experience, voluntary attrition at significant rates for various reasons, including **challenges with employee morale following our recent restructurings, perception of our business and financial condition,** challenging labor market conditions such as rising wages, and a decreased level of workforce participation. If we are unable to attract and retain qualified employees in a timely fashion, particularly for the key roles described above, our ability to achieve our strategic objectives will be adversely impacted, and our business and future growth prospects will be harmed. We believe that our company culture has contributed to our success and if we cannot maintain this culture as we grow, our business could be harmed. We believe that our company culture has been critical to our success. Our company culture stands for being entrepreneurial, passionate, kind and positive. Our ability to continue to cultivate and maintain this culture is essential to our growth and continued success. We face a number of challenges that may affect our ability to sustain our corporate culture, including: • **failure to maintain and /** ~~our~~ **or** ~~September~~ **improve employee morale and engagement in light of our office- centric approach in our New York City headquarters, our** 2022 **and 2023** restructuring ~~plan~~ **plans** , **perception of** ~~which negatively impacted morale for some employees and~~ our **business and financial condition, and our continued** efforts to ~~boost morale may not be successful~~ **ensure a cost- conscious and efficient workforce that supports our growth and profitability goals** ; • failure to identify, attract, reward, and retain employees who share and further our culture, values, and mission; • the ~~increasing~~ **evolving** size, complexity and geographic diversity of our workforce, and our ability to promote a uniform and consistent culture across all our offices and employees; • the employee and market perception of our ESG efforts, which may impact employee morale and recruiting efforts; • competitive pressures to move in directions that may divert us from our mission, vision, and values; • our hybrid working model for ~~corporate~~ employees in ~~New York City and~~ Galway and the remote working model for customer service employees; • the continued challenges of a rapidly- evolving industry; and • the increasing need to develop expertise in new areas of business that affect us. In particular, **we** ~~Diversity, Equity and Inclusion is a strategic imperative for us. We~~ are focused on driving inclusiveness, innovation and stronger business results by attracting a diverse talent pool and continuing to foster an inclusive work environment for all our employees. Although we have adopted policies to promote compliance with laws and regulations as well as to foster a respectful workplace for all employees, our employees may fail to abide by these policies. In addition to damaging our reputation, actual or alleged misconduct could tarnish our culture and reputation, result in negative publicity, affect the confidence of our stockholders, regulators and other parties and could have a material adverse effect on our business, financial condition and operating results. Material changes in the pricing practices of our brand and manufacturing partners and / or the costs of raw materials could negatively impact our profitability. Our brand and manufacturing partners may increase their pricing if raw materials, labor, or other costs become more expensive or subject to other pricing pressures. The inputs used to manufacture products are subject to availability constraints and price volatility. In addition, our brand partners may pass the increase in sourcing costs to us through price increases, thereby impacting our margins. For example, if our manufacturing partners increase their costs, our Exclusive Designs may not be as cost- effective to produce, which could negatively impact our ability to meet our financial goals. The fabrics used in our products are made of raw materials including petroleum- based products and cotton. Significant price fluctuations or shortages in petroleum, cotton, or other raw materials could significantly increase our cost of revenue and the cost associated with procuring products via Exclusive Designs. Moreover, in the event of a significant disruption in the supply of the fabrics or raw materials used in the manufacture of the products we offer, such as due to restrictions on Xinjiang cotton, we and / or our partners might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. For example, disruptions in the supply chain as a result of the COVID- 19 pandemic and the ~~current~~ **recent** inflationary environment increased raw material costs, impacting pricing of our products, and caused shipping delays for certain of our products. Our business is affected by seasonality. Our business is subject to seasonal fluctuations. For our Subscription rentals, we typically acquire the highest number of subscribers in March through May and September through November, as these are the times customers naturally think about changing over their wardrobes. We generally see a higher rate of subscribers pause in the summer, and in mid- December through the end of January. In the third and fourth fiscal quarters, our Reserve business historically (prior to COVID- 19) benefited from increased wedding and holiday events but this seasonality has varied since the onset of COVID- 19. Adverse events, such as higher unemployment, inflation, deteriorating economic conditions, or fewer large- scale holiday and special events, can deter consumers from shopping and renting. Any significant decrease in customers or revenue during periods of high seasonal acquisition could have a disproportionately large impact on our operating results and financial condition for that year. Any factors that harm our operating results during these periods, including disruptions in our brand partners' supply chains or unfavorable economic conditions **,** could have a disproportionate effect on our results of operations for our entire fiscal year. We also experience seasonality in the timing of expenses and capital outlays. In anticipation of increased rental activity during seasonal peaks, we typically incur significant expenses, such as rental product capital expenditures. We may also incur expenses for additional marketing and / or additional staffing in our customer support operations. In addition, we typically experience an increase in our shipping costs during peak seasons, such as around the holidays. In the future, our seasonal subscriber or revenue patterns may become more pronounced or may change, may strain our personnel and operational activities, and may cause a shortfall in revenue as compared with expenses in a given period, which could substantially harm our business, financial condition and results of operations. Furthermore, our rapid growth in recent years may obscure the extent to which seasonality trends have affected our business and may continue to affect our business, and the effects of the COVID- 19 pandemic may have altered our historical seasonality trends. Accordingly, yearly or quarterly comparisons of our operating results may not be useful and our results in any particular period will not necessarily be indicative of the results to be expected for any future period. Seasonality in our business can also be affected by introductions of new or enhanced products and offerings, including the costs associated with such introductions. We may require additional capital to support the growth of our business and satisfy our debt obligations, and this capital might not be available on acceptable terms, if at all. We have funded our operations since inception primarily through equity and debt financings and revenue generated from our offerings. Our goal is to be a profitable company; however, we cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We also intend to continue to make investments to develop and grow our business. For example, in the future, we may need additional funding to satisfy our debt obligations, to obtain rental products, for marketing, and for headcount or other operating expenses and capital expenditures, to develop new features or enhance our offerings, to improve our operating infrastructure, and / or to acquire complementary businesses and technologies. **However, we believe that our current market capitalization, business performance and / or current level of indebtedness may adversely impact efforts to raise additional capital.** If we are unable to obtain adequate financing or financing on terms satisfactory to us, our ability to support our business growth, and respond to business challenges could be significantly impaired, and our business may be adversely affected. Additionally, in recent ~~months~~ **periods** , there has been volatility in and disruptions to the global economy, including the equity and debt financial markets. Such weakness and volatility in capital markets and the economy in general could limit our access to capital markets and increase our costs of borrowing. If we incur additional debt, the debt holders would have rights senior to holders of common stock to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our common stock and diluting their interests. We maintain the majority of our cash and cash equivalents in accounts with major U. S. and international financial institutions, and our deposits at these institutions exceed insured limits. Market conditions can impact the viability of these institutions. In the event of failure of any of the financial institutions where we maintain our cash and cash equivalents, there can be no assurance that we would be able to access uninsured funds in a timely manner or at all. Any inability to access or delay in accessing these funds could adversely affect our business and financial position. Our level of indebtedness could have a material adverse effect on our ability to generate sufficient cash to fulfill our obligations under such indebtedness, to react to changes in our business and to incur additional indebtedness to fund future needs. As of January 31, ~~2023~~ **2024** , we had $ ~~272~~ **306** . ~~5~~ **7** million aggregate principal amount of borrowings under a credit facility with Double Helix Pte Ltd. as administrative agent for Temasek Holdings (as **subsequently amended** ~~currently in effect~~ , the " ~~2022~~ **2023** Amended Temasek Facility "). The ~~2022~~ **2023** Amended Temasek Facility matures in October 2026. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our current or future debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. We cannot provide assurance that our business will be able to generate sufficient levels of cash or that future borrowings or other financings will be available to us in an amount sufficient to enable us to service our indebtedness and fund our other liquidity needs. These financing risks, in addition to potential rising interest rates and changes in market conditions, if realized, could negatively impact our business, financial condition and results of operations. See " Note 8 — Long- Term Debt " in the Notes to Consolidated Financial Statements for more information on our indebtedness. Our ~~2022~~ **2023** Amended Temasek Facility contains financial covenants and other restrictions on our actions that may limit our operational flexibility or otherwise adversely affect our business, financial condition and results of operations. The terms of our ~~2022~~ **2023** Amended Temasek Facility include a number of covenants that limit our ability to (subject to negotiated exceptions), among other things, incur additional indebtedness, incur liens on assets, enter into agreements related to mergers and acquisitions, dispose of assets or pay dividends and make distributions. Additionally, the ~~2022~~ **2023** Amended Temasek Facility includes a minimum liquidity maintenance covenant of $ **30** ~~50. 0~~ million **and provides that the Company may not exceed mutually agreed upon quarterly and annual spend levels for rental product capital, fixed operating, and marketing expenditures during fiscal year 2024 of $ 51 million, $ 100 million (excluding $ 10 million of specified permitted expenditures), and $ 30 million, respectively, on an annual basis, and to- be- agreed levels for fiscal years 2025 and 2026, subject to the debt holders' consent and certain exceptions** . The terms of our ~~2022~~ **2023** Amended Temasek Facility may restrict our current and future operations and could adversely affect our ability to finance our future operations or capital needs. In addition, complying with these covenants may make it more difficult for us to successfully execute our business strategy and compete against companies which are not subject to such restrictions. A failure by us to comply with the covenants specified in the ~~2022~~ **2023** Amended Temasek Facility could result in an event of default under the agreement, which would give the lender the right to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. If the debt under the Credit Agreement were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could adversely affect our business, financial condition and results of operations. We have identified material weaknesses in our internal control over financial reporting. If we are unable to remediate the material weaknesses in a timely manner, identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations, our ability to comply with applicable laws and regulations and our access to the capital markets to be impaired. In connection with the preparation of our consolidated financial statements as of January 31, 2021, we identified material weaknesses in our internal control over financial reporting, as described below. As of January 31, ~~2023~~ **2024** , these material weaknesses were still in the process of being remediated. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We did not maintain sufficient evidence of the operation of controls to achieve complete, accurate and timely financial accounting, reporting and disclosures nor were monitoring controls evidenced at a sufficient level to provide the appropriate level of oversight of activities related to our internal control over financial reporting. This material weakness contributed to the following additional material weaknesses: We did not design and maintain effective controls to ensure (i) the appropriate segregation of duties in the operation of manual controls and (ii) journal entries were reviewed at the appropriate level of precision. We did not design and maintain effective controls over information technology (" IT ") general controls for information systems and applications that are relevant to the preparation of our financial statements. Specifically, we did not design and maintain (i) program change management controls to ensure that **IT** ~~information technology~~ program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately, (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to our financial applications, programs and data to appropriate personnel, (iii) computer operations controls to ensure that critical batch jobs are monitored and data backups are authorized and monitored and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements. These IT control deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT- dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system- generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. The material weaknesses described above did not result in a misstatement to our annual or interim consolidated financial statements. However, each of these material weaknesses could result in a misstatement of substantially all account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. We continue to implement measures **designed** to remediate the identified material weaknesses. The measures include (i) formalizing the Company' s framework and policies with respect to maintaining evidence in the operation of control procedures, (ii) improving our control framework to include the appropriate segregation of duties and controls over the preparation and review of journal entries, and (iii) designing and implementing IT general controls for systems and applications impacting internal control over financial reporting. We have performed extensive work with personnel responsible for the design and operating effectiveness of internal control over financial reporting in our efforts to ensure that appropriate **controls are in place and appropriate** evidence is maintained. We are continuing to implement comprehensive access control protocols for our enterprise resource planning environment in order to implement restrictions on user and privileged access to certain applications, establishing additional controls over segregation of duties and the preparation and review of journal entries, implementing controls to review the activities for those users who have privileged access and program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately. The implementation of these remediation efforts is in progress, may require additional expenditures to implement, and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, and as a result, the timing of when we will be able to fully remediate the material weaknesses **described above** is uncertain. We can give no assurance that our efforts will remediate these material weaknesses in our internal control over financial reporting, or that additional material weaknesses will not be identified in the future. If the steps we take do not remediate the material weaknesses **we have identified** in a timely manner, or if **our** ~~we fail to implement and maintain effective~~ internal control over financial reporting **is not effective** , there could be errors in our annual or interim consolidated financial statements that could result in a restatement of our financial statements, and could cause us to fail to meet our reporting obligations, any of which could diminish investor confidence in us and cause a decline in the price of our Class A common stock. Additionally, ineffective internal control over financial reporting could expose us to an increased risk of financial reporting fraud and the misappropriation of assets and subject us to potential delisting from the stock exchange on which we list or to other regulatory investigations and civil or criminal sanctions. If we are unable to remediate the material weakness **we have identified** in a timely manner, or if additional material weaknesses exist or are discovered in the future, and we are unable to remediate any such material weakness, our reputation, results of operations and financial condition could suffer. The requirements of being a public company may strain our resources, divert management' s attention, and affect our ability to attract and retain executive management and qualified board members. As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the " Exchange Act "), the listing standards of Nasdaq, and other applicable securities rules and regulations. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time- consuming and costly, and place significant strain on our personnel, systems, and resources. As a result of the complexity involved in complying with the rules and regulations applicable to public companies, our management' s attention may be diverted from other business concerns, which could harm our business, financial condition, and results of operations. Furthermore, ~~several~~ **most** members of our management team do not have prior experience in running a public company. We have hired ~~additional~~ **certain** employees and engaged consultants to assist us in complying with these requirements; however we may invest additional resources in our compliance efforts, including hiring more employees **or employees with additional credentials** or engaging outside consultants, which may increase our operating expenses. If our efforts to comply with new laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to their application and practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. In addition, being a public company that is subject to these rules and regulations has made it more expensive for us to obtain director and officer liability insurance. In the future, we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations may also make it more difficult for us to attract and retain qualified members of our board of directors, particularly members who can serve on our audit committee and compensation committee, and qualified executive officers. As a result of being a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our Class A common stock. We are required, pursuant to Section 404 of the Sarbanes- Oxley Act (" Section 404 "), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting in our first annual report required to be filed with the SEC following the date we are no longer an " emerging growth company. " ~~Our~~ **At such time, our** compliance with Section 404 will require that we incur substantial expenses and expend significant management efforts. In addition to the material weaknesses in internal control over financial reporting identified in connection with the audit of our financial statements as of and for the fiscal year 2020, subsequent testing by us or our independent registered public accounting firm may reveal additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. During the evaluation and testing process of our internal controls, if we identify additional material weaknesses in our internal control over financial reporting, we will be unable to certify that our internal control over financial reporting is effective. We cannot provide assurance that there will not be additional material weaknesses in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if we or our independent registered public accounting firm determines we have additional material weaknesses in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets. We are an " emerging growth company **" and a " smaller reporting company** , " and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth **companies and smaller reporting** companies will make our Class A common stock less attractive to investors. We are an " emerging growth company, " as defined in the Jumpstart Our Business Startups Act of 2012 (" JOBS Act "), and we may take advantage of certain exemptions from reporting requirements that are applicable to other public companies that are not " emerging growth companies, " including: • the auditor attestation requirements of Section 404; • reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and • exemptions from the requirements of holding a non- binding advisory stockholder vote on executive compensation and non- binding advisory stockholder vote to approve any golden parachute payments not previously approved. Pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to use the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our Class A common stock less attractive to investors. In addition, if we cease to be an emerging growth company, we will no longer be able to use the extended transition period for complying with new or revised accounting standards. We will remain an emerging growth company until the earliest of: • the last day of the fiscal year following the fifth anniversary of our IPO; • the last day of the first fiscal year in which our annual gross revenue is $ 1. 235 billion or more; • the date on which we have, during the previous rolling three- year period, issued more than $ 1 billion in non- convertible debt securities; and • the date we qualify as a " large accelerated filer, " with at least $ 700 million of equity securities held by non- affiliates. **We are also a" smaller reporting company" as defined in the Exchange Act. We may take advantage of certain of the scaled disclosures available to smaller reporting companies as long as we qualify as such, even after we are no longer an EGC, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.** The COVID- 19 pandemic ~~has~~ had ~~, and may in the future continue to have,~~ a material adverse impact on our business. Other future pandemics or public health crises may have a similar adverse impact on our business. The COVID- 19 pandemic materially adversely affected our operating and financial results during fiscal year 2020 ~~due to the occurrence of the following events or circumstances, among others: • the global shelter-~~ in ~~- place restrictions~~ **many ways, including a** ~~significantly~~ -- **significant reduction in** ~~reduced our number of~~ Active Subscribers **resulting from** ~~and engagement with all of our offerings because of~~ the decrease in special events, social gatherings and interactions outside the home ~~; • a significant number~~ **, delays in the shipment and delivery** of ~~subscribers paused or~~ **our products due** ~~canceled their subscriptions or downgraded~~ to ~~lower- priced plans, and we experienced significant decreased demand for our Reserve offering and customers canceled their existing orders for special events; • subscribers engaged less, which impacted the success of our organic marketing and reduced the volume of our data and business insights; •~~ disruptions of the operations of our brand partners ~~and delays in shipment and delivery of our products; • pausing all of our paid marketing spend and eliminating or significantly reducing investments in growth initiatives; • carrying more products relative to customer demand~~ , ~~negatively impacting gross margins; • performance- based revenue share payments to brands were decreased due to lower total revenue, impacting our brand~~ -- **and the** partner relationships and value proposition; ~~• implementing~~ - **implementation of** temporary salary cuts, employee layoffs and furloughs, and pausing recruiting efforts, which negatively impacted employee morale and resulted in an increase in regrettable employee attrition ~~; and • the closure of our brick- and- mortar retail stores, which was perceived negatively by some customers. In fiscal years 2021 and 2022, our operating and financial results continued to be impacted by the COVID- 19 pandemic, including the Omicron variant. The effects of the COVID- 19 pandemic, including the identification and spread of new variants of the virus, may continue to have a negative impact on our business operations and long- term financial results of operations due to the occurrence of the following events or circumstances, among others: • the difficulty in accurately predicting the timing of potential new variants and / or the pace of our business recovery, particularly changes in demand, subscriber levels and pause activity, and Reserve and Resale orders, leading to potentially over- spending and lower profitability if demand and engagement are not as expected; • our inability to meet increased demand and provide an optimal customer experience as a result of difficulty in hiring additional employees, particularly in our fulfillment, operations and customer experience functions; • continuing supply chain disruptions and / or disruptions in the operations of our brand partners, which could impact our ability to acquire an adequate depth and breadth of products at favorable prices in a timely manner to match demand; and • possible resurgences of the COVID- 19 pandemic that lead to new or additional shelter- in- place orders, travel advisories, and / or reduced social activities and events, which may dampen future demand for our products and offering~~ . Future pandemics or public health crises may have similar adverse effects on our business. Although we anticipate that our operating results in future fiscal years will ~~begin to~~ reflect a more normal operating environment, the current economic ~~and public health~~ climate has created a high degree of uncertainty and there is no assurance that our scale, number of customers ~~and~~ **,** revenue **or growth** will return to or surpass pre- pandemic levels for a sustained period of time. As such, we continue to closely monitor this global health crisis and will continue to reassess our strategy and operational structure on a regular, ongoing basis as the situation evolves. ~~See Part II, Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operations " for more details on the impact of the COVID- 19 pandemic.~~ Strategic investments, partnerships, alliances, or acquisitions could be difficult to identify, pose integration challenges, divert the attention of management, disrupt our business, dilute stockholder value, and adversely affect our business, financial condition, and results of operations. Our success depends, in part, on our ability to expand our services and grow our business in response to changing technologies, customer demands, and competitive pressures. We may choose to expand our services and grow our business by entering into partnerships or alliances with third parties rather than through internal development or through the acquisition of complementary businesses and technologies. The identification of suitable alliance partners or acquisition candidates can be difficult, time- consuming, and costly, and we may not be able to successfully complete identified transactions. In addition, if we pursue and complete an acquisition, we may not be able to successfully integrate the acquired business. The risks we face in connection with partnerships and acquisitions include: • a partnership or acquisition may disrupt our ongoing business, divert resources, increase our expenses, and distract our management; • an acquisition may negatively affect our financial results because it may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose us to claims and disputes by stockholders and third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition; • we may encounter difficulties or unforeseen expenditures in integrating the business, offerings, technologies, personnel, or operations of any company that we partner with or acquire; and • if we incur debt or issue a significant amount of equity securities to fund such joint venture or acquisition, such debt may subject us to material restrictions on our ability to conduct our business, as well as financial maintenance covenants and such equity securities may cause dilution for our existing stockholders and earning per share may decrease. The occurrence of any of these foregoing risks could adversely affect our business, financial condition, and results of operations and expose us to unknown risks or liabilities. Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States. GAAP is subject to interpretation by the Financial Accounting Standards Board (the " FASB "), the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. The accounting for our business is complicated, particularly in the area of revenue recognition, and is subject to change based on the evolution of our business model, interpretations of relevant accounting principles, enforcement of existing or new regulations, and changes in SEC or other agency policies, rules, regulations, and interpretations of accounting regulations. Changes to our business model and accounting methods, principles, or interpretations could result in changes to our financial statements, including changes in revenue and expenses in any period, or in certain categories of revenue and expenses moving to different periods, may result in materially different financial results, and may require that we change how we process, analyze, and report financial information and our financial reporting controls. If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes appearing elsewhere in this Annual Report. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in Part II, Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting ~~Policies and~~ Estimates. " The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity, and the amount of revenue and expenses. Significant estimates and judgments include the useful life and salvage value of rental product, incremental borrowing rate to determine lease liabilities and right- of- use assets, ~~and the~~ valuation of share- based compensation and warrants **, and recoverability of long- lived assets** . Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the market price of our Class A common stock. The estimates of market opportunity and forecasts of market growth included in our public disclosures may prove to be inaccurate, and even if the markets in which we compete achieve the forecasted growth, our business could fail to grow at similar rates, or at all. The estimates of market opportunity and forecasts of market growth included in our public disclosures may prove to be inaccurate. Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate, including as a result of any of the risks described in this Annual Report. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable customers and subscribers covered by our market opportunity estimates will become a customer or subscriber or generate any particular level of revenues for us. In addition, our ability to expand in any of our target markets depends on a number of factors, including the cost, performance and perceived value associated with our products and offerings. Even if the markets in which we compete meet the size estimates and growth forecasted in our public disclosures, our business could fail to grow at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of market growth included in our public disclosures should not be taken as indicative of our future growth. Expansion of our operations internationally requires management attention and resources, involves additional risks, and may be unsuccessful. We do not currently offer our products and services internationally. In the event we decide to expand our geographic market internationally, we will need to adapt to different local cultures, standards, laws, and policies. The business model we employ may not appeal as strongly to customers in international markets. Our entry into new markets will also require us to become familiar with different trends and customer preferences in such markets. In addition, consumer shopping behavior may continue to evolve and we may need to adapt our service to such changes. Furthermore, to succeed with customers in international locations, we will need to locate fulfillment centers in foreign markets, hire local employees and source products appealing to local preferences, and we will have to invest in these facilities, employees and products before proving we can successfully run foreign operations. We may not be successful in expanding into additional international markets or in generating revenue from foreign operations for a variety of reasons, including: • lower acceptance of our offerings and the concept of renting apparel and accessories and the need to localize our products offerings; • competition from local incumbents that understand the local market and may operate more effectively; • regulatory requirements, taxes, trade laws, trade sanctions and economic embargoes, tariffs, export quotas, custom duties, or other trade restrictions, or any unexpected changes thereto; and • risks resulting from changes in currency exchange rates. If we invest substantial time and resources to establish and expand our operations internationally and are unable to do so successfully and in a timely manner, our operating results would suffer. Risks Related to Our Legal and Regulatory Environment Our business is subject to a large number of U. S. and non- U. S. laws and regulations, many of which are evolving. We are subject to numerous evolving laws and regulations in the United States and around the world, including those relating to consumer protection, environmental protection, intellectual property, consumer product safety, privacy and information security, taxation, and immigration, labor, and other employment law matters, such as workplace safety, particularly in our fulfillment centers, and wage and hour regulations. There has been a ~~recent~~ **continued regulatory** focus on automatically renewing ~~Subscription~~ **subscription** offerings **, such as ours** . For example, California' s Automatic Renewal Law, and the federal Restore Online Shoppers' Confidence Act (the " ROSCA "), require companies to adhere to enhanced disclosure and cancellation requirements when entering into automatically renewing contracts with subscription customers. Regulators and private plaintiffs have brought enforcement and litigation actions against companies, challenging automatic renewal and subscription programs. We strive to comply with all applicable laws; however, despite our efforts, we may not have fully complied in the past and may not in the future. If we fail to comply with existing or future laws or regulations, or if these laws or regulations are violated by our brand partners, suppliers or vendors, we may be subject to criminal and civil liabilities, fines, or sanctions and, while incurring substantial legal fees and costs and reputational harm. In addition, compliance and remediation efforts can be costly. We are subject to U. S. and certain foreign export and import controls, sanctions, embargoes, anti- corruption laws, and anti- money laundering laws and regulations. Compliance with these legal standards could impair our ability to compete in domestic and international markets, and we could face criminal liability and other serious consequences for violations, which could harm our business. We are subject to export control laws and regulations (including the U. S. Export Administration Regulations), U. S. Customs and import regulations, various economic and trade sanctions regulations administered by the U. S. Treasury Department' s Office of Foreign Assets Control, the U. S. Foreign Corrupt Practices Act of 1977 (the " FCPA "), as amended, the U. S. domestic bribery statute contained in 18 U. S. C. § 201, the U. S. Travel Act, the USA PATRIOT Act, and other state and national anti- bribery and anti- money laundering laws in the countries in which we conduct activities. Anti- corruption laws are interpreted broadly and generally prohibit companies and their employees, agents, contractors, and other partners from authorizing, promising, offering, or providing, directly or indirectly, corrupt payments of anything of value to recipients in the public or private sector to obtain or retain business or an improper business advantage. As a public company, we also are subject to the FCPA' s accounting provisions, which require us to make and keep complete and accurate books and records, and to maintain a system of adequate internal accounting controls. We have brand partners, suppliers, and vendors operating outside the United States and may engage other third parties to sell our products and services or to obtain necessary permits, licenses, patent registrations, and other regulatory approvals outside the United States. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors, and other partners, even if we do not explicitly authorize such activities. Although we have policies and controls in place to promote compliance with these laws and regulations, there are no assurances that these policies and controls will always prevent illegal or improper acts by employees, agents, third parties, or business partners. Violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, investigation costs, and other consequences, any of which could have a material adverse effect on our business, financial condition, and results of operations. From time to time, we may be subject to legal proceedings, regulatory disputes, and governmental inquiries that could cause us to incur significant expenses, divert our management' s attention, and materially harm our business, financial condition, and operating results. From time to time, we may be subject to claims, lawsuits, government investigations, and other proceedings involving products liability, competition and antitrust, intellectual property, privacy, consumer protection, securities, tax, labor and employment, commercial disputes, environmental regulations, and other matters that could adversely affect our business operations and financial condition. For example, on November 14, 2022, a purported stockholder of the Company filed a putative class action lawsuit in the Eastern District of New York against the Company, certain of its officers and directors, and the underwriters of its IPO, entitled Rajat Sharma v. Rent the Runway, Inc., et al. The complaint **, which has since been amended,** alleges that we violated Sections 11 **, 12 (a) (2)** and 15 of the Securities Act of 1933, as amended, by making allegedly materially misleading statements, and by omitting material facts necessary to make the statements made therein not misleading. The lawsuit seeks, among other things, compensatory damages, attorneys' fees and costs and such other relief as deemed just and proper by the court **. See Note 16, " Commitments and Contingencies " in the Notes to the Consolidated Financial Statements for more details** . In addition, in recent years, we have seen a rise in the number and potential significance of these disputes and inquiries and evolving areas of focus for regulators and private plaintiffs. For example, there has been an increase in consumer class action lawsuits relating to subscription products. Litigation and regulatory proceedings may be protracted and expensive, and the results are difficult to predict. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages and include claims for injunctive relief. Additionally, our litigation costs could be significant. Adverse outcomes with respect to litigation or any of these legal proceedings may result in significant settlement costs or judgments, penalties and fines, or require us to modify our products and offerings, all of which could negatively affect our revenue growth. The results of litigation, investigations, claims, and regulatory proceedings cannot be predicted with certainty, and determining reserves for pending litigation and other legal and regulatory matters requires significant judgment. There can be no assurance that our expectations will prove correct, and even if these matters are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, financial condition, and results of operations. In addition, as a public company, our business and financial condition are more visible than as a private company, which may result in an increased risk of threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, and results of operations would be harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, would divert the resources of our management and harm our business, financial condition, and results of operations. Failure to adequately obtain, maintain, protect and enforce our intellectual property and proprietary rights could harm our brand, devalue our proprietary content, and adversely affect our ability to compete effectively. Our success depends in part on our ability to obtain, maintain, protect, and enforce our intellectual property rights, including those in our proprietary technologies, know- how, and brand. To protect our rights to our intellectual property, we rely on a combination of trademark, copyright patent, and trade secret laws, domain name registrations, confidentiality agreements, and other contractual arrangements with our employees, affiliates, customers, strategic partners, vendors, and others. However, the protective steps we have taken and plan to take may be inadequate to deter infringement, misappropriation or other violations of our intellectual property or proprietary rights and we may be unable to ~~broadly~~ enforce all of our intellectual property rights. Failure to adequately protect **and enforce** our intellectual property could harm our brand, devalue our proprietary technology and content, and adversely affect our ability to compete effectively. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our intellectual property and proprietary technology and develop and commercialize substantially identical offerings or technologies. We may not timely or successfully register our trademarks in all jurisdictions, which could enable third parties to use our brand name and **thus** create potential ~~roadblocks~~ **impediments** to any ~~expansion of~~ **efforts to expand** the business outside of the U. S. The copyright registrations we have obtained for our website may not adequately protect all material contained on our website, and these registrations do not cover any material that is not part of our website. The patent prosecution process is expensive and time- consuming. We may not be able to prepare, file and prosecute all necessary or desirable patent applications at a commercially reasonable cost or in a timely manner or in all **relevant** jurisdictions, creating an opportunity for third parties to patent the same technology while preventing us from continuing to use it. It is also possible that we may fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Moreover, depending on the terms of any future in- licenses to which we may become a party, we may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology in- licensed from third parties. Any patents, trademarks, copyrights, or other intellectual property rights that we have or may obtain may be challenged or circumvented by others or invalidated or held unenforceable through administrative proceedings ~~,~~ or litigation. There can be no assurance that our patent applications will result in issued patents, or that any such patents will be of sufficient scope to adequately protect our proprietary technology or provide us with any meaningful competitive advantage. Moreover, failure to comply with applicable procedural, documentary, maintenance, renewal, fee payment and other similar requirements with the United States Patent and Trademark Office or other similar governmental agencies or administrative bodies could result in abandonment or lapse of the affected intellectual property rights. Further, the laws of some foreign countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights in those countries may be inadequate. Accordingly, despite our efforts to obtain and protect our intellectual property, it may be possible for unauthorized third parties to copy our offerings and capabilities and use information that we regard as proprietary to create offerings that compete with ours. We generally enter into confidentiality and invention assignment agreements with our employees and consultants, as well as agreements with other third parties, including suppliers and other partners, that contain confidentiality obligations and assignment provisions. However, we cannot guarantee that we have entered into such agreements with each party that has developed intellectual property for us or that may have had access to our proprietary information and technology, know- how, and trade secrets. Moreover, no assurance can be given that these agreements will be effective in controlling access to our proprietary information or preventing the unauthorized distribution, use, misappropriation, reverse engineering, or disclosure of our proprietary intellectual property and other proprietary rights, information, technology, know- how, and trade secrets. These agreements may be breached, and we may not have adequate remedies for any such breach. If any of our trade secrets were to be disclosed to or independently developed by a competitor, our competitive position would be harmed, possibly leaving us without an adequate remedy to make us whole. We may be required to spend significant financial and managerial resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time- consuming, and distracting to management. In the alternative, the failure to enforce our intellectual property rights could result in the impairment or loss of portions of our intellectual property rights. Further, 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, and if such defenses, counterclaims, or countersuits are successful, it could result in the loss, impairment or narrowing of valuable intellectual property rights. In patent litigation in the United States, counterclaims alleging invalidity and / or unenforceability are common, and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent. In an infringement proceeding, a court may decide that the patent claims we are asserting are invalid and / or unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patent claims do not cover the technology in question. Third parties may also raise similar claims before administrative bodies in the United States or abroad, even outside the context of litigation. Such mechanisms include re- examination, post grant review, inter partes review and equivalent proceedings in foreign jurisdictions (for example, opposition proceedings). Such proceedings could result in revocation of our patents, or could result in narrowing the scope of the patent claims so that they no longer cover our technology. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we, our patent counsel, and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and / or unenforceability, we may lose some, and perhaps all, of the patent protection on our technology. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could have a material adverse impact on our business by making the technology at issue freely available for others to use. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management' s attention and resources, could delay further sales or the implementation of our offerings and capabilities, impair the functionality of our offerings and capabilities, delay or prevent introductions of new offerings, result in our substituting inferior or more costly technologies into our offerings, allow our competitors to gain momentum or overtake us, or injure our brand and reputation. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions, or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our Class A common stock. We may incur costs to defend against, face liability or be vulnerable to intellectual property infringement, misappropriation, and other claims and allegations brought against us by others, which could result in substantial damages and diversion of management' s efforts and attention. Third parties may assert claims against us alleging that we infringe upon, misappropriate, dilute or otherwise violate their intellectual property rights, particularly as we expand our business. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims. These claims, regardless of their merit, could be expensive and time consuming to defend and could divert management resources. We cannot predict the outcome of lawsuits or administrative proceedings, and we cannot ensure that the results of any such actions will not have an adverse effect on our business, financial condition or results of operations. **If** ~~These~~ **these** claims are resolved against us, ~~they~~ **we** could **incur** ~~result in~~ significant monetary liability, or **we could be** ~~prevent~~ **prevented** ~~us~~ from renting or selling some of our products or using some of our technology. In addition, a finding of liability or other resolution of claims may require us to change our business model, redesign or rebrand our products, replace portions of our technology platform, license rights from third parties, cease using certain brand names or other intellectual property rights altogether, or make substantial payments for royalty or license fees, legal fees, disgorgement of profits, corrective advertising, settlement payments or other costs or damages. Further, licenses may not be available to us on reasonable terms, if at all. Any of these events could harm our business and cause our results of operations, liquidity and financial condition to suffer. Our use of third- party open- source software could adversely affect our ability to offer our products and offerings and subjects us to possible litigation. We use third- party open- source software in connection with the development and deployment of our software applications and will likely use third- party open- source software in the future. Some open- source licenses require that source code that is developed using open- source software be made available to the public at no cost and that any modifications or derivative works to certain open- source software continue to be licensed under open- source licenses, which in some circumstances could include valuable proprietary code. In some circumstances this could require valuable proprietary code to be made available as open- source software, and may also prohibit charging fees to licensees. While we employ practices designed to monitor our compliance with the licenses of open- source software and try to ensure that we do not use any of the open- source software in a manner that would require us to disclose our proprietary source code or preclude us from charging fees, we cannot guarantee that we will be successful. We cannot guarantee that all open- source software is reviewed prior to use in our platform, or that our developers have not incorporated (and will not in the future incorporate) open- source software into our products and offerings without our knowledge. Furthermore, there are an increasing number of open- source software license types, almost none of which have been tested in a court of law, resulting in a dearth of guidance regarding the proper legal interpretation of such licenses. As a result, there is a risk that open- source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market or provide our products and offerings. If we were to receive a claim of non- compliance with the terms of any of our open- source licenses, we may be required purchase a costly license, to publicly release certain portions of our proprietary source code, **to** limit or ~~prohibit~~ **cease** our use of some or all of our software, or expend substantial time and resources to re- engineer some or all of our software. We could also be precluded from charging fees for third- party use of our proprietary code. In addition, the use of third- party open- source software typically carries greater technical and legal risks than the use of third- party commercial software because open- source licensors generally do not provide support, warranties or controls on the functionality or origin of the software. To the extent that our platform depends upon the successful operation of open- source software, any undetected errors or defects could prevent the deployment or impair the functionality of our systems and injure our reputation. Use of open- source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to compromise our platform. Any of the foregoing could be harmful to our business, financial condition, or results of operations and could help our competitors develop offerings that are similar to or better than ours. We are subject to rapidly changing and increasingly stringent laws and industry standards relating to data privacy, data security, data protection, and consumer protection. The restrictions **, obligations** and costs imposed by these laws, or our actual or perceived failure to comply with them, could **materially impair our ability to grow our business and negatively impact the results of our operations and** subject us to liabilities that adversely affect our business, operations, and financial performance. We collect, process, store, and use a wide variety of data from current and prospective customers, including personal information, such as home addresses, ~~credit~~ **payment** card numbers (through our payment processor) and geolocation. These activities are regulated by a variety of federal, state, local, and foreign data privacy, data security, data protection and consumer protection laws and regulations, as well as industry standards and guidelines, which have become increasingly stringent in recent years. We have in the past and may continue to be subject to allegations that we have violated one or more of these laws. U. S. data privacy and data security laws are complex and changing rapidly, with the frequent imposition of new and changing requirements across our business. Many U. S. states have enacted laws regulating the online collection, use, and disclosure of personal information and are requiring that companies implement reasonable data security measures. Laws in all U. S. states and territories also require businesses to notify affected individuals, governmental entities, and / or credit reporting agencies of certain security incidents affecting personal information. Further, the CCPA took effect on January 1, 2020. The CCPA gives California residents expanded rights related to their personal information, including ~~the~~ **a private** right ~~to access~~ **of action** and ~~delete their personal information~~ **statutory damages for certain violations** , and **imposes significant compliance obligations on in- scope businesses, including** ~~receive detailed information about how their personal information is used and shared. The CCPA also created~~ restrictions on " sales " **and certain disclosures** of personal information that ~~allow California residents to opt- out of certain sharing of their personal information and~~ may restrict ~~the~~ **our** use of cookies and similar technologies for advertising purposes, and could cause us to incur additional CCPA compliance costs or create adverse effects as a result of its restrictions ~~. The CCPA provides for civil penalties for violations, and creates a private right of action for data security incidents that is expected to increase data security- related litigation. Additionally, the California Privacy Rights Act (the " CPRA ") largely took effect on January 1, 2023. The CPRA restricts the use of cross- context behavioral advertising techniques on which our products and offerings may rely on in the future; expands requirements on businesses that " sell " personal information under the CCPA to businesses like ours that " share " it; requires all businesses with any California employees to limit uses of employee data; establish restrictions on the retention of personal information; expands the types of data security incidents subject to the private right of action; and establishes the California Privacy Protection Agency to implement and enforce the new law, as well as impose administrative fines. We expect to continue to invest in compliance initiatives and potentially implement business process changes to support our compliance efforts~~ . Similar laws have been proposed in other states and at the federal level, reflecting a trend toward more stringent privacy legislation in the United States. For example, **since** ~~in March 2021, Virginia enacted~~ the ~~Virginia Consumer Data Protection Act (the " CDPA~~ **CCPA** ~~")~~ **went into effect** , ~~a~~ comprehensive privacy ~~statute~~ **statutes** that ~~shares~~ - **share** similarities with the CCPA **are now** ~~, CPRA, and legislation proposed~~ in **effect and enforceable in Virginia, Colorado, Connecticut, and Utah, and will soon be enforceable in several** other states **as well** ~~. Some observers have noted that the CCPA, CPRA, and CDPA could mark the beginning of a trend toward more stringent privacy legislation in the United States~~ . The enactment of such laws could have potentially conflicting requirements that would make compliance challenging **,** resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply **. We expect to continue to invest in compliance initiatives and potentially implement business process changes to support our compliance efforts** . In addition, the Telephone Consumer Protection Act (the " TCPA "), imposes significant restrictions on the ability to make telephone calls or send text messages to mobile telephone numbers ~~without the~~ **, including requirements to obtain** prior consent of the person being contacted **in certain circumstances** . We use text messages frequently to communicate with our customers. Efforts to comply with the TCPA do not prevent third- party claims **(including class action lawsuits)** that we have violated the TCPA from being brought, and such claims could be costly to litigate, and if successful, expose us to substantial statutory damages. ~~The~~ **Likewise, the** Controlling the Assault of Non- Solicited Pornography and Marketing Act (the " CAN- SPAM "), imposes specific restrictions and requirements on our efforts to send marketing materials via email, including notice obligations **and content requirements** that must be ~~included~~ **addressed** in our marketing emails and the ability for recipients to unsubscribe from such emails. The Federal Trade Commission **and State Attorneys General also** ~~enforces~~ - **enforce** ~~CAN- SPAM, and~~ **a broad range of " unfair "** ~~our~~ - **or " deceptive " trade practice rules and regulations** ~~efforts to comply with CAN- SPAM may not prevent claims~~ that ~~we have violated the law, which could be costly to resolve, and if successful,~~ expose us to **potentially** substantial **costs,** penalties **,** and ~~potential~~ injunctive relief **in connection with all aspects of our sales, advertising, and marketing activities** . We are also subject to the European Union General Data Protection Regulation (the " GDPR "), due to certain of our employees being based in Ireland. The GDPR, which is wide- ranging in scope and applies extraterritorially, imposes ~~several~~ **substantial** requirements **and restrictions** relating to the processing of personal data **, including the personal data of our employees based in Ireland. In addition, GDPR compliance requirements continue to rapidly evolve, which poses compliance challenges for many companies, including us** . The GDPR also imposes strict rules on the transfer of personal data out of the EU, including to the U. S. ~~In addition~~ , ~~GDPR compliance requirements are constantly~~ **which have significantly evolved in recent years, including as a result of various challenges** and ~~rapidly~~ **court rulings. We expect such rules to continue** evolving ~~. For example, in July 2020, the Court of Justice of the European Union invalidated the EU- U. S. Privacy Shield data transfer mechanism,~~ and ~~other data transfer mechanisms such as the Standard Contractual Clauses, have also faced~~ - **face additional** ~~challenged~~ **challenges** in ~~European courts, potentially limiting how organizations can lawfully transfer personal data from EEA to~~ the **future** ~~U. S. Notably~~ , **adding** ~~the GDPR imposes large penalties for noncompliance, including the potential for fines of up~~ to ~~€ 20 million or 4 % of~~ the **legal complexity and uncertainty** ~~annual global revenues of the noncompliant entity, whichever is greater~~ . In addition, privacy advocates and industry groups have regularly proposed, and may propose in the future, self- regulatory standards by which we are legally or contractually bound. If we fail to comply with these contractual obligations or standards, we may face substantial liability or fines. Consumer resistance to the collection and sharing of the data used to deliver targeted advertising, increased visibility of consent or " do not track " mechanisms **and " opt- out preference signals "** as a result of industry regulatory or legal developments, the adoption by consumers of browser settings or " ad- blocking " software, and the development and deployment of new technologies **(including technologies using artificial intelligence)** could materially impact our ability to collect data or reduce our ability to deliver relevant promotions or media, which could materially impair the results of our operations. In addition, the U. S. Federal Trade Commission and U. S. State Attorneys General, and international regulators, are increasingly active in investigating and bringing enforcement actions against companies on claims related to notice, transparency, choice and processing of ~~personal~~ **Personal** ~~information~~ **Information** in the context of sales and marketing and advertising activities. Further, we are subject to the PCI Data Security Standard, which is a multifaceted security standard that is designed to protect ~~credit~~ **payment** card ~~account~~ data as mandated by payment card industry entities. We rely on vendors to handle PCI matters for us and to ensure PCI compliance. Despite our compliance efforts, we may become subject to claims that we have violated the PCI Data Security Standard, based on past, present, and future business practices, which could **subject us to fines, restrictions and expulsion from card acceptance programs,** have an adverse impact on our business and reputation, and be costly for us to defend. We may not be successful in achieving compliance with the rapidly evolving privacy, data security, and data protection requirements discussed above, as well as other data privacy, security and consumer protection frameworks that currently, or may in the future, apply to us, despite our efforts to comply. All of these frameworks are constantly evolving and are not always consistent with each other, leading to uncertainty in interpretation. Any actual or perceived non- compliance could result in litigation **(including class action lawsuits)** and proceedings against us by governmental entities, customers or others, fines and civil or criminal penalties, limited ability or inability to operate our business, offer services, or market our business in certain jurisdictions, negative publicity and harm to our brand and reputation, and reduced overall demand for our products and offerings. Such occurrences could adversely affect our business, financial condition, and results of operations. Our insurance policies may not be adequate to compensate us for the potential losses arising from any such disruptions in or failure or security intrusion of our systems or third- party systems where information important to our business operations is stored. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance policies may not cover any or all claims made against us and could have high deductibles, and defending a suit, regardless of its merit, could be costly and divert management attention. We could incur significant liabilities related to, and significant costs in complying with, environmental, health and safety laws and regulations. Our operations are subject to a variety of federal, state, local and foreign laws and regulations relating to permitting requirements, health, safety and the protection of the environment. These environmental, health and safety laws and regulations include those relating to, among other things, the generation, storage, handling, use and transportation of hazardous and non- hazardous materials; the emission and discharge of hazardous and non- hazardous materials into the environment; the health and safety of our employees; and the maintenance of our facilities and operations. Our compliance efforts are expected to require ongoing investments and may be costly to maintain. Despite our efforts, we may become subject to claims that we have violated such laws and regulations based on past, present, and future practices, which could have an adverse impact on our business and reputation, and be costly for us to defend. Failure to comply with such laws and regulations, which tend to become more stringent over time, can result in significant fines, penalties, costs, liabilities or restrictions on operations, injunctive relief, civil or criminal sanctions, and could expose us to costs of investigation or remediation, as well as tort claims for property damage or personal injury, and could negatively affect our business, financial condition or results of operations. We manage our waste materials as non- hazardous waste, but we cannot guarantee that our supply chain or the products we use will not contain hazardous materials or result in the generation of hazardous waste. Further, liability for the improper release or disposal of waste, even if non- hazardous, can be joint and several and significant and there can be no assurance that we will not have to expend material amounts to remediate the consequences of the generation or disposal of waste in the future, particularly with respect to our dry cleaning operations. Further, we may be responsible as a lessee operator for the costs of investigation, removal or remediation of hazardous or non- hazardous substances or waste located on or in or emanating from our leased properties, as well as any property damage. There can be no assurance that our future operations, properties, uses or conditions will not result in the imposition of liability upon us under environmental laws or other regulations, or expose us to third- party actions such as tort suits. Furthermore, we rely on third- party suppliers to provide chemicals, cleaning supplies, and handling instructions that comply with applicable health, safety and environmental regulations, and to support other compliance initiatives from time to time. A failure of such suppliers to provide adequate advice, abide by applicable regulations, or the terms of our contractual relationships may subject us to material liabilities. Our ability to utilize our net operating loss carryforwards and certain other tax attributes to offset taxable income or taxes may be limited. As of January 31, ~~2023~~ **2024** , we had federal net operating loss carryforwards of $ ~~596~~ **631** . ~~0~~ **1** million, $ 152. 0 million of which will expire at various times through 2038. Furthermore, we had ~~stated~~ - **state** net operating loss carryforwards of $ ~~33~~ **598** . 0 million, which will expire at various times through 2041. Portions of these net operating loss carryforwards could expire unused and be unavailable to offset future income tax liabilities. **While our** ~~Under the legislation enacted in 2017, commonly referred to as the Tax Cuts and Jobs Act (the " Tax Act "),~~ U. S. federal net operating losses incurred in taxable years beginning after December 31, 2017, may be carried forward indefinitely, ~~but~~ the deductibility of such federal net operating losses is limited. In addition, for state income tax purposes, there may be periods during which the use of net operating loss carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. In addition, under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an " ownership change, " (very generally defined as a greater than 50 % change, by value, in the corporation' s equity ownership by certain shareholders or groups of shareholders over a rolling three- year period), the corporation' s ability to use its pre- change net operating loss carryforwards and other pre- change tax attributes to offset its post- change income or taxes may be limited. In 2021, we completed a Section 382 analysis covering the period beginning in March 2009 and ending in March 2021. From the study, we concluded we experienced an ownership change in 2010 (but not since then) and $ 1. 3 million of net operating losses (" NOLs ") were subject to the limitation. However, all of those NOLs were available by the year ended January 31, 2017. We may have experienced **since March 2021** and may experience in the future additional ownership changes as a result of shifts in our stock ownership, some of which may be outside of our control. Any ownership change may result in the imposition of additional limitations on our ability to utilize our NOLs existing at the time of the ownership change. Future regulatory changes could also limit our ability to utilize our NOLs. To the extent we are not able to offset future taxable income with our NOLs, our cash flows may be adversely affected. We have recorded a full valuation allowance against our U. S. deferred tax assets, which includes net operating loss carryforwards. Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations. We are subject to income and other taxes in the United States on a federal and state basis, as well as subject to taxation in Ireland. Our effective tax rate or tax liability could be adversely affected due to several factors, including: • changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates; • changes in the United States or foreign tax laws, tax treaties, and regulations or ~~the~~ **their** interpretation ~~of them~~ ; • changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business; • the outcome of current and future tax audits, examinations, or administrative appeals; and • limitations or adverse findings regarding our ability to do business in some jurisdictions. In the event any tax audit or other proceeding is determined adversely to us, the resulting liabilities (including any penalties and interest) may have an adverse effect on our cash flows. If we expand the scale of our international business activities, any changes in the United States or foreign taxation of such activities may increase our worldwide effective tax rate and harm our business, financial condition, and results of operations. **New** ~~In particular, new~~ income or other tax laws or regulations could be enacted at any time, ~~which could adversely affect our business operations~~ and ~~financial performance. Further,~~ existing tax laws and regulations could be interpreted, modified, or applied adversely to us. **Any** ~~For example, the recent Inflation Reduction Act enacted, among other changes, a 15 % corporate minimum tax on certain United States corporations and a 1 % excise tax on certain stock redemptions by United States corporations. To the extent that~~ such **new laws** ~~changes or any future changes have a negative impact on us, our~~ - **or regulations** ~~suppliers or our~~ - **or** ~~customers, these~~ -- **the** ~~changes~~ **interpretation, modification or application of existing laws and regulations** may materially and adversely impact our business, financial condition, results of operations and cash flows. Risks Related to Our Dependence on Third Parties We face risks associated with brand and manufacturing partners from whom our products are sourced or co- manufactured. We obtain substantially all of our products directly from hundreds of brand partners through Wholesale, Share by RTR, and Exclusive Designs arrangements with designer and / or manufacturing partners. The benefits we currently experience from these relationships could be adversely affected if they: • discontinue selling products to us or manufacturing our Exclusive Designs; • enter into arrangements with competitors that could impair our ability to source their products, including by giving our competitors exclusivity arrangements or limiting our access to certain products; • raise the prices they charge us; • are not satisfied with the value proposition we offer them; • do not view our brand **or financial profile** favorably; • change pricing terms to require us to pay a significant portion of the cost of items on delivery or upfront; • experience negative publicity or reputational issues; • do not follow our vendor code of conduct and / or violate legal and regulatory requirements; • experience supply chain disruptions that cause lead times to be lengthened or missed entirely; or • fail to execute on the design we have provided for co- manufactured products. Events that adversely impact our brand and manufacturing partners could impair our ability to obtain adequate and timely products. We also source and manufacture products outside of the United States and we and many of our brand partners use manufacturers in the same geographic regions. As a result we may be subject to magnified impact from such events including, among others, difficulties or problems associated with our partners' business, the financial instability and labor problems of partners, product quality and safety issues, natural or man- made disasters, inclement weather conditions, war, acts of terrorism and other political instability, economic conditions, imposition of additional import or trade restrictions, including legal or economic restrictions on overseas partners' ability to produce and deliver products, increased custom duties and tariffs, unforeseen delays in customs clearance of goods, more restrictive quotas, loss of a most favored nation trading status, currency exchange rates, transportation delays, port of entry issues, the availability of their raw materials and increased production costs. Our brand partners and manufacturers may be forced to reduce their production **or operations** , shut down their operations or file for bankruptcy. Our ability to obtain products **timely and cost effectively** may also depend on our brand partners' ability to obtain financing, including through factoring companies and other entities, which may also assess our creditworthiness and procurement ability. To the extent our brand partners are unable to secure sufficient credit, they may not be able to produce merchandise, which would impact our ability to purchase merchandise from them. The occurrence of one or more of these events could impact our ability to acquire products, which may result in a less appealing assortment of styles for our customers and reduced availability of the styles we are able to obtain. Similarly, the occurrence of a contagious disease or illness could cause delays or increase costs in the manufacture of certain products. For example, the COVID- 19 pandemic caused delays in some shipments from our brand partners. We rely on third parties **to provide** ~~for elements of~~ the payment processing infrastructure underlying our business. If these third- party ~~elements~~ **providers** become unavailable or unavailable on favorable terms, our business could be adversely affected. We rely on third parties **to provide** ~~, including for our~~ payment processing infrastructure, to accept **card** payments from customers and **through** ~~in connection with~~ our banking partners, to remit payments to suppliers. These third parties may refuse to renew our agreements with them on commercially reasonable terms or at all. Furthermore, we rely on a single payment processor, which may increase our risks of being unable to process payments and deliver our products in a timely and cost- effective manner. In the event of interruption, we may not be able to develop alternate or secondary processing without incurring material additional costs and substantial delays. If these ~~companies~~ **providers** become unwilling or unable to provide these services to us on acceptable terms or at all, our business may be disrupted. For certain payment methods, including credit and debit cards, we ~~generally~~ pay interchange fees and other processing and gateway fees, and such fees result in significant costs. **Online payment providers have also required, and may in the future require, us to provide demonstrations of credit based on providers' perceptions of our creditworthiness.** In addition, online payment providers ~~are under continued pressure to~~ pay ~~increased~~ fees to banks to ~~process~~ **settle** funds, and there is no assurance that such online payment providers will not pass any ~~increased~~ costs on to us **, as and when such costs increase** . If these fees **or other obligations** increase over time, our operating costs will increase, which could adversely affect our business, financial condition, and results of operations. Outages or other failures of **our payment processors could harm our business and cause customers to lose trust in our payment operations and cause** ~~the~~ **them to discontinue use of our products and services. If the quality or convenience of our** payment processing ~~infrastructure underlying our business could harm our business and cause customers to lose trust in our~~

~~payment operations and cause them to discontinue use of our products and services. If the quality or convenience of our payment processing infrastructure~~ declines or does not keep pace with industry standards, the attractiveness of our business to customers could be adversely affected. For example, we plan to enhance our payment operations in the future; however, our efforts may be unsuccessful or delayed for various reasons and may fail to meet customer expectations. If we are forced to migrate to other third- party payment service providers for any reason, the transition would require significant time and management resources, and may not be available on acceptable terms or **be** as effective, efficient, or well- received by our customers. Our business relies on third- party cloud infrastructures, and any disruption of, or interference with, our use of cloud infrastructures could adversely affect our business, financial condition or results of operations. In 2022, we migrated a substantial portion of our primary production environment, core architecture, and data centers to a new third- party cloud provider, which provides a distributed computing infrastructure as a service platform for business operations. We use another third- party cloud provider for other portions of our business. Our third- party cloud providers provide the cloud computing infrastructure we use to host our website and mobile application, serve our customers and support our operations and many of the internal tools we use to operate our business. Our website, mobile application ~~and~~ **,** internal tools **and operations** use computing, storage, data transfer and other functions and services provided by our third- party cloud providers. We do not have control over the operations of the facilities of our third- party cloud providers. In addition, our third- party cloud providers' facilities may be vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cybersecurity attacks, terrorist attacks, power losses, telecommunications failures and other events beyond our control. In the event that any third- party provider' s systems or service abilities are hindered by any of the events discussed above, particularly in a region where our website is mainly hosted, our ability to operate our business may be impaired. A decision to close their facilities without adequate notice or other unanticipated problems or disruptions could result in lengthy interruptions to our business. Further, our agreements with our third- party cloud providers do not provide us with an adequate remedy for every scenario that could negatively affect our business ~~. All of the aforementioned risks may be exacerbated if our business continuity~~ and **limit** ~~disaster recovery plans prove to be inadequate. Additionally, data stored with~~ our third- party cloud providers **' liability. All of the aforementioned risks** may ~~experience~~ **be exacerbated if our business continuity and disaster recovery plans prove to be inadequate. Additionally, data stored with our third- party cloud providers may be subject to cybersecurity risks that threaten the confidentiality, availability, and integrity of such data, including** threats or attacks from computer malware, ransomware, viruses, social engineering (including phishing attacks), denial of service or other attacks, employee theft or misuse and general hacking. Any of these security incidents could result in unauthorized access to, damage to, disablement or encryption of, use or misuse of, disclosure of, modification of, destruction of, or loss of our data or our customers' data or disrupt our ability to provide our products and offerings, including due to any failure by us **or our service providers** to properly configure our cloud environment. Our business' continuing and uninterrupted performance is critical to our success. Customers may become dissatisfied by any system failure that interrupts our ability to provide our merchandise and offerings to them. We may not be able to easily switch our third- party cloud operations to another cloud or other data center provider if there are disruptions or interference with cloud services and, even if we do switch our operations, other cloud and data center providers are subject to the same risks. Sustained or repeated system failures would reduce the attractiveness of our products and offerings, thereby reducing revenue. Moreover, negative publicity arising from these types of disruptions could damage our brand and reputation and may adversely impact our business. Our third- party cloud providers do not have an obligation to renew their agreements with us on terms acceptable to us **or at all** . Although alternative data center providers ~~could~~ **may be able to** host our business on a substantially similar basis to our current third- party cloud providers, transitioning our cloud infrastructure to alternative providers could potentially be disruptive, and we could incur significant one- time costs. If we are unable to renew our agreement for our cloud services on commercially acceptable terms, our agreements with our third- party cloud providers are prematurely terminated, or we add additional infrastructure providers, we may experience costs or downtime in connection with the transfer to, or the addition of, new data center providers. If our third- party cloud providers or other infrastructure providers increase the costs of their services, our business, financial condition or results of operations could be materially and adversely affected. We depend on search engines, social media platforms, mobile application stores, content- based **and cross- context behavioral** online advertising and other online sources to attract consumers to and promote our website and our mobile application, which may be affected by third- party **actions or** interference beyond our control and, as we grow, our **marketing and / or** customer acquisition costs will continue to rise. Our success depends on our ability to attract consumers to our website and mobile application and convert them into customers in a cost- effective manner. We depend, in large part, on search engines, social media platforms, mobile application stores, content- based online **and cross- context behavioral** advertising and other online sources for traffic to our website and mobile application. With respect to search engines, we are included in search results for both paid search listings, where we purchase specific search terms resulting in inclusion of our advertisements, and free search listings, which depend on algorithms used by search engines. For paid search listings, if one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise, we could lose consumers who access our advertisements and traffic to our website could decrease, any of which could have a material adverse effect on our business, financial condition, and results of operations. For free search listings, if search engines on which we rely for algorithmic listings modify their algorithms, our websites may appear less prominently or not at all in search results, which could result in reduced traffic to our websites. Our ability to maintain and increase the number of consumers directed to our products from digital platforms is not entirely within our control. Search engines, social media platforms and other online sources often revise their algorithms **products, and APIs,** and introduce new advertising products. If one or more of the search engines or other online sources on which we rely for traffic to our website and our mobile application were to modify its general methodology for how it displays our advertisements or keyword search results **or change their APIs without sufficient notice** , ~~resulting~~ **as they have** in **the past and may again in the future,** fewer consumers **may** ~~clicking~~ --- **click** through to our website and our mobile application **or have difficulty accessing our sites** , **and** our business and operating results are likely to suffer. **Our efforts to attract consumers and convert them into customers also rely heavily on the use of cookies and similar tracking technologies, and our ability to use and benefit from such technologies may be restricted or prohibited by changes in the law, market practice, or technology, or third parties who are not under our control.** For example, Apple **utilizes** ~~recently moved to~~ " opt- in " privacy models for mobile applications using its operating system such as ours, requiring **such applications to give** consumers **the choice** to ~~voluntarily choose~~ **allow or deny the use of tracking technologies** to ~~receive~~ **engage in** targeted ~~ads~~ **advertising and similar activities** , which may reduce the efficacy of our marketing tracking. In addition, if our online display advertisements are no longer effective or are not able to reach certain customers due to their use of ad- blocking software, our business and operating results could suffer. Furthermore, changes in customer acceptance or usage of our online sources for traffic could adversely impact the effectiveness of our advertising. Additionally, changes in regulations could limit the ability of search engines and social media platforms ~~, including, but not limited to, Google and Facebook,~~ to collect data from users and engage in targeted advertising, making them less effective in disseminating our advertisements to our target customers. ~~For example, the proposed Designing Accounting Safeguards to Help Broaden Oversight and Regulations on Data (DASHBOARD) Act would mandate annual disclosure to the SEC of the type and " aggregate value " of user data used by harvesting companies, such as, but not limited to, Facebook, Google and Amazon, including how revenue is generated by user data and what measures are taken to protect the data.~~ If the ~~costs~~ **effectiveness** of ~~advertising on~~ **marketing through** search engines and social media platforms **diminishes, or if costs of through such channels** increase, we may incur additional marketing expenses or be required to allocate a larger portion of our marketing spend to other channels and our business and operating results could be adversely affected. Furthermore, ~~because many of our customers access our products through our mobile application,~~ we depend on the Apple App Store to distribute our mobile application **, and because many of our customers access our products through our mobile application, any changes to the Apple App Store terms and conditions or how the Apple App Store functions in connection with our mobile application could adversely affect our business** . Apple has broad discretion to change its respective terms and conditions, including those relating to the amount of (and requirement to pay) certain fees associated with our use of the Apple App Store, to interpret its respective terms and conditions in ways that may limit, eliminate or otherwise interfere with our ability to distribute our mobile application through its stores, the features we provide and the manner in which we market in- application products. We cannot provide assurance that Apple will not limit, eliminate or otherwise interfere with the distribution of our mobile application, the features we provide and the manner in which we market our mobile application. To the extent it does so, our business, financial condition, and results of operations could be adversely affected. As existing social media platforms continue to rapidly evolve and new platforms develop, we must continue to maintain a presence on these platforms and establish presences on new or emerging social media platforms. If we are unable to cost- effectively use social media platforms as marketing tools or if the social media platforms we use change their policies or algorithms, we may not be able to fully optimize such platforms, and our ability to maintain and acquire consumers and our financial condition may suffer. Furthermore, as laws and regulations and public opinion rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees, our network of social media influencers, our sponsors or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices or otherwise could subject us to regulatory investigations, class action lawsuits, liability, fines or other penalties and have an adverse effect on our business, financial condition, results of operations and prospects. Any failure by us, our brand partners, or our third- party manufacturers to comply with our vendor code of conduct, product safety, labor, or other laws, or to provide safe factory conditions for their workers, may damage our reputation and brand, and harm our business. Our standard vendor terms and conditions, vendor code of conduct, and other policies require our brand and manufacturing partners to comply with applicable laws and certain business standards, however, we often have limited visibility into their supply chains, practices, and level of compliance The failure of these partners to comply with our vendor code of conduct or applicable laws and regulations could damage our reputation, lead to negative press and / or customer sentiment, or result in costly litigation against us. The products we rent or sell to our customers ~~is~~ **are** subject to regulation by the Federal Consumer Product Safety Commission, the Federal Trade Commission, and similar state and international regulatory authorities. As a result, such products could in the future be subject to mandatory recalls and other remedial actions. Product safety, labeling, and licensing concerns may also result in us voluntarily removing selected products from our assortment. Such recalls or voluntary removal of products can result in, among other things, lost revenue, diverted resources, potential harm to our reputation, and increased customer service costs and legal expenses, which could have a material adverse effect on our operating results. It is possible that some of the products we rent or sell may expose us to product liability claims and litigation or regulatory action relating to personal injury. Although we maintain liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms or at all. In addition, our partners may not have sufficient resources or insurance to satisfy their indemnity and defense obligations to us in connection with product liability claims or regulatory actions. We may incur significant losses from fraud. We have in the past incurred and may in the future incur losses from various types of fraud, including claims that a customer did not authorize a purchase, customers who have closed bank accounts or have insufficient funds to satisfy payments, customers who use stolen credit cards to make purchases, customers who fraudulently rented multiple products at once and customers who have failed to return rentals. In addition to the direct costs of such losses, if the fraud is related to credit card transactions and becomes excessive, it could result in us paying higher fees or losing the right to accept credit cards for payment. In addition, under current credit card practices, we are typically liable for fraudulent credit card transactions. We have implemented fraud prevention measures, such as detection tools to identify irregular or high risk customer order patterns, to reduce the risk of fraud. However, **these measures may be insufficient to prevent or detect fraud and** our failure to adequately prevent fraudulent transactions could damage our reputation, result in litigation or regulatory action, and lead to **costs, fees, and** expenses that could substantially impact our operating results. If our insurance coverage is insufficient for the needs of our business or our insurance providers are unable to meet their obligations, we may not be able to mitigate the risks facing our business. We procure third- party insurance policies to cover various operations- related risks including employment practices liability, workers' compensation, property and business interruptions, cybersecurity and data security incidents, crime, directors' and officers' liability, and general business liabilities. **In addition, we are required to maintain certain levels of insurance coverage in certain commercial agreements, such as our real estate leases, and in our Credit Facility Amendment.** We cannot guarantee that we will continue to ~~receive~~ **maintain** adequate insurance coverage on favorable terms **that meets our coverage needs and / or contractual obligations** . Insurance providers may discontinue their coverage or significantly increase the cost of coverage, and we cannot guarantee that we would be able to secure replacement coverage on reasonable terms or at all. In addition, if our insurance carriers change the terms of our policies in a manner not favorable to us, our insurance costs could increase. Further, if the insurance coverage we maintain is not adequate to cover losses that occur, or if we are required to purchase additional insurance for other aspects of our business **(including due to contractual requirements)** , we could be liable for significant additional costs. Additionally, if any of our insurance providers becomes insolvent, it would be unable to pay any operations- related claims that we make. Insurance providers have also raised premiums and deductibles for many businesses, including ours, and may do so in the future. As a result, our insurance and claims expense could increase, or we may decide to raise our deductibles or self- insured retentions when our policies are renewed or replaced. Our business, financial condition, and results of operations could be adversely affected if the cost per claim, premiums, the severity of claims, or the number of claims significantly exceeds our historical experience and coverage limits; we experience a claim in excess of our coverage limits; our insurance providers fail to pay on our insurance claims; we experience a claim for which coverage is not provided; or the number of claims under our deductibles or self- insured retentions differs from historical averages. Risks Related to Ownership of Our Class A Common Stock The dual class structure of our common stock and stockholders' agreement among us and certain stockholders has the effect of concentrating voting control with those stockholders who held our capital stock prior to the listing of our Class A common stock on Nasdaq, including our Co- Founders, and their affiliates, which will limit an investor' s ability to influence the outcome of important transactions, including a change of control. Our Class B common stock has 20 votes per share, and our Class A common stock has one vote per share. Because of the twenty- to- one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively ~~could~~ continue to control a significant percentage of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval until the date of automatic conversion described below, when all outstanding shares of Class B common stock and Class A common stock will convert automatically into shares of a single class of common stock. In addition, we and certain stockholders, including our CEO and Co- Founder Jennifer Y. Hyman, entered into a stockholders' agreement in connection with our IPO with respect to the election of directors. This concentrated control may limit or preclude an investor' s ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that investors may believe are in their best interests. Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon the date that is the earlier of (i) the transfer of such share to a person that is not in the same Permitted Ownership Group (as defined in ~~the~~ **our Amended and Restated Certificate of Incorporation ("** Amended Charter **")**) as such Permitted Class B Holder (as defined in the Amended Charter), (ii) November 1, 2028, or (iii) with respect to any shares held by any person in our Co- Founder' s Permitted Ownership Group, (A) such time as a Co- Founder is removed or resigns from the Board of Directors, or otherwise ceases to serve as a director on the Board of Directors, (B) such time as a Co- Founder ceases to be either an employee, officer or consultant, or (C) the date that is 12 months after the death or disability of a Co- Founder. **We are required to meet the Nasdaq Capital Market' s continued listing requirements and other Nasdaq rules, or we may risk delisting. Delisting could negatively affect the price of our Class A common stock, which could make it more difficult for us to sell securities in a future financing or for you to sell our Class A common stock. We are required to meet the continued listing requirements of the Nasdaq Capital Market and other Nasdaq rules, including those regarding director independence and independent committee requirements, minimum stockholders' equity, minimum share price and certain other corporate governance requirements. In particular, we are required to maintain a minimum bid price for our listed Class A common stock of $ 1. 00 per share and maintain a minimum market value of $ 35 million for our listed securities. If we do not meet these continued listing requirements, our Class A common stock could be delisted. On October 20, 2023, we received a letter from The Nasdaq Stock Market LLC indicating that, for the last thirty consecutive business days, the bid price for our Class A common stock had closed below the minimum $ 1. 00 per share requirement for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550 (a) (2) (the " Bid Price Rule "). In accordance with Nasdaq Listing Rule 5810 (c) (3) (A), we were provided an initial period of 180 calendar days, or until April 17, 2024, to regain compliance. The letter stated that the Nasdaq staff would provide written notification that we have achieved compliance with the Bid Price Rule if at any time before April 17, 2024, the bid price of our Class A common stock closed at $ 1. 00 per share or more for a minimum of ten consecutive business days. In addition, on March 27, 2024, we received a letter from The Nasdaq Stock Market LLC indicating that the Company is no longer in compliance with the minimum market value of listed securities of $ 35, 000, 000 required for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550 (b) (2) (the " Minimum Market Value Rule "). In accordance with Nasdaq Listing Rule 5810 (c) (3) (C), we were provided a period of 180 calendar days, or**

until September 23, 2024, to regain compliance. The letter stated that the Nasdaq staff would provide written notification that we have achieved compliance with the Minimum Market Value Rule if at any time before September 23, 2024, the Company' s market value of listed securities closed at $ 35, 000, 000 or more for a minimum of ten consecutive business days. Neither letter had an immediate effect on the listing or trading of our Class A common stock. On March 21, 2024, a reverse stock split of our Class A and Class B common stock was approved by our stockholders and our Board subsequently determined to effect the reverse stock split at a ratio of 1- for- 20. This amendment became effective on April 2, 2024 and we began trading on a post- split basis on April 3, 2024 (the " Reverse Stock Split "). The Reverse Stock Split is intended to allow us to regain compliance with the Bid Price Rule; however there can be no assurance that we will be successful in doing so, or in maintaining our compliance once achieved, if our stock price declines below $ 1. 00 in the future. In addition, there can be no assurance that we will be successful in regaining compliance with the Minimum Market Value Rule. If we do not regain compliance with the Bid Price Rule by April 17, 2024, or compliance with the Minimum Market Value Rule by September 23, 2024, and if it appears to the Nasdaq staff at such time that we will not be able to cure the applicable deficiency, Nasdaq would notify us that our securities would be subject to delisting. In the event of such a notification, we may appeal the Nasdaq staff' s determination to delist our securities. There can be no assurance that the Nasdaq staff would grant our request for continued listing subsequent to any delisting notification. Delisting from the Nasdaq Capital Market would cause us to pursue eligibility for trading of these securities on other markets or exchanges, or on the " pink sheets. " In such case, our stockholders' ability to trade, or obtain quotations of the market value of our Class A common stock would be severely limited because of lower trading volumes and transaction delays. These factors could contribute to lower prices and larger spreads in the bid and ask prices of these securities. There can be no assurance that our securities, if delisted from the Nasdaq Capital Market in the future, would be listed on a national securities exchange, a national quotation service, the over- the- counter markets or the pink sheets. Delisting from the Nasdaq Capital Market, or even the issuance of a notice of potential delisting, would also result in negative publicity, make it more difficult for us to raise additional capital, adversely affect the market liquidity of our securities, decrease securities analysts' coverage of us or diminish investor, supplier and employee confidence. Our share price may be volatile, and our investors may be unable to sell shares at or above the price they paid for them. The market price of our Class A common stock has declined significantly since our IPO, has been volatile and is likely to continue to be volatile and could be subject to wide fluctuations in response to the risk factors described in this Annual Report, and others within or beyond our control, including: • actual or anticipated fluctuations in our revenue or other operating metrics; • our actual or anticipated operating performance and the operating performance of our competitors; • changes in the financial projections we provide to the public or our failure to meet these projections; • ~~the perceived adequacy of our ESG efforts; •~~ positive or negative publicity; • failure of securities analysts to initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet the estimates or the expectations of investors; • any major change in our board of directors, management, or key personnel; • the economy as a whole and market conditions in our industry; • rumors and market speculation involving us or other companies in our industry; • announcements by us or our competitors of significant innovations, new products, services, features, integrations, or capabilities, acquisitions, strategic investments, partnerships, joint ventures, or capital commitments; • the legal and regulatory landscape and changes in the application of existing laws or adoption of new laws that impact our business, including changes in e- commerce and tax laws; • legal and regulatory claims, litigation, or pre- litigation disputes and other proceedings; • the ~~pace~~ **impact** of ~~the~~ COVID- 19 ~~pandemic recovery and its impact~~ on our business or the fashion industry and sharing economy generally; • sales or expected sales of our Class A common stock by us, our officers, directors, principal stockholders, and employees; • if securities or industry analysts publish research about our business, or if they publish unfavorable research; and • other events or factors, including those resulting from war, incidents of terrorism, or responses to these events. Our investors may not realize any return on their investment in us and may lose some or all of their investment. In addition, stock markets, and the trading of e- commerce companies' and technology companies' stocks in particular, have experienced significant price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner often unrelated to the operating performance of those companies. ~~These fluctuations may be even more pronounced in the trading market for our Class A common stock shortly following the listing of our Class A common stock on Nasdaq as a result of the supply and demand forces described above.~~ It is common for stockholders to institute securities class action litigation following periods of stock volatility. We are currently subject to securities litigation which could divert resources and the attention of management from our business, and materially adversely affect our business, financial condition and results of operations, and we could be subject to additional securities litigation in the future. Company insiders have the ability to control or significantly influence all matters submitted to stockholders for approval. Our executive officers, directors, and stockholders party to our stockholders' agreement entered into in connection with our IPO, in the aggregate, beneficially own over 50 % of **the voting power of** our outstanding common stock as of January 31, ~~2023~~ **2024** . This concentration of ownership may have the effect of delaying, deferring, or preventing a change in control, impeding a merger, consolidation, takeover, or other business combination involving us, or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our business, even if such a transaction would benefit other stockholders. Our management has broad discretion in the use of our cash resources and may not use them effectively. Our management has broad discretion **, subject to our 2023 Amended Temasek Facility,** in the application of our cash resources, which may include working capital, to fund growth and for other general corporate purposes. We may also use a portion of our cash resources to acquire or make investments in businesses, products, offerings, and technologies. We may also spend or invest these proceeds in a way with which our stockholders disagree. The failure by our management to apply these funds effectively could adversely affect our ability to pursue our growth strategies and expand our business. Pending their use, we may invest these funds in a way that does not produce income or that loses value ~~. We cannot predict the effect our dual class structure may have on the trading price of our Class A common stock. We cannot predict whether our dual class structure will result in a lower or more volatile trading price of our Class A common stock, in adverse publicity, or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple- class share structures in certain of their indices. Under such announced policies, the dual class structure of our common stock makes us ineligible for inclusion in certain indices and, as a result, mutual funds, exchange- traded funds, and other investment vehicles that attempt to passively track those indices may not invest in our Class A common stock. These policies are relatively new and it is unclear what effect, if any, they will have on the valuations of publicly- traded companies excluded from such indices, but it is possible that they may depress valuations, as compared to similar companies that are included. Because of the dual class structure of our common stock, we are currently not eligible for inclusion in certain indices, and we cannot provide assurance that other stock indices will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and would make our Class A common stock less attractive to other investors. As a result, the trading price of our Class A common stock could be adversely affected~~ . Our business and financial performance may differ from any projections that we disclose or any information that may be attributed to us by third parties. From time to time, we may provide guidance regarding our projected business and / or financial performance. However, any such projections involve risks, assumptions, and uncertainties, and our actual results could differ materially from such projections. Factors that could cause or contribute to such differences include, but are not limited to, those identified in ~~these~~ -- **the** ~~Risk~~ **risk** ~~Factors~~ **factors described in this Annual Report** , some or all of which are not predictable or within our control. Other unknown or unpredictable factors also could adversely impact our performance, and we undertake no obligation to update or revise any projections, whether as a result of new information, future events, or otherwise. In addition, various news sources, bloggers, and other publishers often make statements regarding our historical or projected business or financial performance, and you should not rely on any such information even if it is attributed directly or indirectly to us. Future sales of our common stock in the public market could cause our share price to fall. The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our Class A common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. In the future, we may sell additional Class A common stock, other series of common stock, convertible securities, or other equity securities, including preferred securities, in one or more transactions at prices and in a manner we determine from time to time. We also expect to issue Class A common stock to employees, consultants, and directors pursuant to our equity incentive plans. If we sell Class A common stock, other series of common stock, convertible securities, or other equity securities in subsequent transactions, or Class A common stock or Class B common stock is issued pursuant to equity incentive plans, investors may be materially diluted. New investors in subsequent transactions could gain rights, preferences, and privileges senior to those of holders of our Class A common stock. In addition, we may issue our capital stock or securities convertible into our capital stock from time to time in connection with a financing, acquisition, investments, or otherwise. Additional issuances of our stock will result in dilution to existing holders of our stock. Also, to the extent outstanding stock options to purchase our stock are exercised or restricted stock units (“ RSUs ”) settle, there will be further dilution. The amount of dilution could be substantial depending upon the size of the issuance or exercise. Any such issuances could result in substantial dilution to our existing stockholders and cause the trading price of our Class A common stock to decline. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of Class A common stock or other securities. **If shares of our Class A common stock become subject to the penny stock rules, it would become more difficult to trade them. The SEC has adopted regulations which generally define a “ penny stock ” to be an equity security that has a market price of less than $ 5. 00 per share or an exercise price of less than $ 5. 00 per share, subject to specific exemptions, including an exemption for any securities listed on a national securities exchange. The rules impose additional sales practice requirements on broker- dealers for transactions involving “ penny stock ”, with some exceptions. If shares of our Class A common stock were delisted from the Nasdaq Capital Market and determined to be “ penny stock ”, broker- dealers may find it more difficult to trade such securities and investors may find it more difficult to acquire or dispose of such securities on the secondary market.** Certain provisions in our corporate charter documents and under Delaware law may prevent or hinder attempts by our stockholders to change our management or to acquire a controlling interest in us, and the trading price of our Class A common stock may be lower as a result. There are provisions in our Amended Charter and Amended **and Restated** Bylaws **(“ Amended Bylaws ”)** that may make it difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change in control were considered favorable by our stockholders. These anti- takeover provisions include: • authorization of the issuance of “ blank check ” preferred stock that our board of directors could use to implement a stockholder rights plan; • ~~provide for~~ a dual class common stock structure in which holders of our Class B common stock, which has 20 votes per share, have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class B and Class A common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets; • a classified board of directors so that not all members of our board of directors are elected at one time; • a requirement that our directors may only be removed for cause; • the ability of our directors to fill all board vacancies, subject to the rights granted pursuant to the stockholders’ agreement; • a prohibition on stockholder actions by written consent, thereby requiring that all stockholder actions be taken at a meeting of our stockholders; • advance notice procedures for stockholder director nominees and annual meeting matters (other than the parties to our stockholders; agreement for nominations made pursuant to the terms of the stockholders’ agreement); • an inability of our stockholders to call special meetings of stockholders; • the ability of our directors to amend our Amended Bylaws without stockholder consent; • the requirement of a super- majority to amend some provisions in our Amended Charter and Amended Bylaws; and • a prohibition on cumulative voting for directors. Although we have opted out of Section 203 of the General Corporation Law of the State of Delaware ~~(the " DGCL ")~~ , our Amended Charter contains provisions that are similar to Section 203. Specifically, our Amended Charter provides that, subject to certain exceptions, we will not be able to engage in a " business combination " with any " interested stockholder " for three years following the date that the person became an interested stockholder, unless certain requirements are met. A " business combination " includes, among other things, a merger or consolidation involving us and the " interested stockholder " or the sale of more than 10 % of our assets or to an interested stockholder. In general, an " interested stockholder " is any entity or person beneficially owning 15 % or more of our outstanding voting stock and any affiliates or associates of such entity or person. Any provision in our Amended Charter, Amended Bylaws, or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock. Our Amended Charter designates the Court of Chancery of the State of Delaware and the federal district courts of the United States of America as the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees. Our Amended Charter provides that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising under the Delaware General Corporation Law, our Amended Charter, or our Amended Bylaws (as either may be amended or restated), and any action asserting a claim against us that is governed by the internal affairs doctrine or as to which the Delaware General Corporation Law confers exclusive jurisdiction on the Court of Chancery of the State of Delaware. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our Amended Charter further provides that the federal district courts of the United States of America are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our Amended Charter. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions. These exclusive forum provisions may limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees. If a court were to find either exclusive- forum provision in our Amended Charter to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business. Our Amended Charter provides that the doctrine of " corporate opportunity " does not apply with respect to any directors (or their affiliates) who are not our employees. Our Amended Charter provides that the doctrine of " corporate opportunity " does not apply with respect to any director (or their respective affiliates) who is not employed by us or our subsidiaries. The doctrine of corporate opportunity generally provides that a corporate fiduciary may not develop an opportunity using corporate resources or information obtained in their corporate capacity for their personal advantage, acquire an interest adverse to that of the corporation or acquire property that is reasonably incident to the present or prospective business of the corporation or in which the corporation has a present or expectancy interest, unless that opportunity is first presented to the corporation and the corporation chooses not to pursue that opportunity. The doctrine of corporate opportunity is intended to preclude officers, directors or other fiduciaries from personally benefiting from opportunities that belong to the corporation. Pursuant to our Amended Charter, to the extent permitted by Delaware law, we renounce any present or expectancy interest that we have in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to our directors, or their respective affiliates (other than those who are employed by us or our subsidiaries). Any directors, or their respective affiliates, other than those directors, or affiliates who are employed by us or our subsidiaries, have no duty to communicate or present corporate opportunities to us, and have the right to either hold any corporate opportunity for their (and their affiliates') own account and benefit or to recommend, assign or otherwise transfer such corporate opportunity to persons other than us, including to any directors, or their respective affiliates (other than those who are employed by us or our subsidiaries). Notwithstanding the foregoing, pursuant to our Amended Charter, we do not renounce our present or expectancy interest in any business opportunity that is expressly offered to a director, executive officer or employee of us or our subsidiaries, solely in his / her capacity as a director, executive officer or employee.